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**STANDING COMMITTEE ON RAILWAYS
(2014-15)**

SIXTEENTH LOK SABHA

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

**DEMANDS FOR GRANTS
(2015-16)**

FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

16 April, 2015/ 26 Vaisakha, 1937 (Saka)

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(RAILWAY BOARD)**

**DEMANDS FOR GRANTS
(2015-16)**

Presented to Lok Sabha on 20.04.2015

Laid in Rajya Sabha on _____



**LOK SABHA SECRETARIAT
NEW DELHI**

16 April, 2015/ 26 Vaisakha, 1937 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON RAILWAYS (2014-15)

Shri Dinesh Trivedi - Chairperson

MEMBERS

LOK SABHA

2. Shri E. Ahamed
3. Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Sanjay Dhotre
6. Shri Gourav Gogoi
7. Shri Rajen Gohain
8. #Shri Chandra Prakash Joshi
9. Shri Ramesh Chander Kaushik
10. Shri Gajanan Kirtikar
11. Shri Balabhadra Majhi
12. Shri Arjun Ram Meghwal
13. Shri K.H. Muniyappa
14. Shri Thota Narasimham
15. Shri A.T. Nana Patil
16. Shri R. Radhakrishnan
17. Shri Mekapati Raja Mohan Reddy
18. Shri Lakhan Lal Sahu
19. Shri Ganesh Singh
20. Shri Uday Pratap Singh
21. Shri S.R. Vijayakumar

RAJYA SABHA

22. Shri A.K. Antony
23. Shri Mukut Mithi
24. Shri Dilipbhai Pandya
25. Shri Parimal Nathwani @
26. Shri Ambeth Rajan
27. Shri T. Rathinavel
28. Shri Bashistha Narain Singh
29. Shri Devender Goud T.
30. Shri Alok Tiwari
31. Shri Motilal Vora

* Constituted *vide* Lok Sabha Bulletin Part II No.623 dated 01.09.2014

Sh. Bandaru Dattatreya ceased to be a Member on his appointment as Minister w.e.f. 09.11.2014. Shri Chandra Prakash Joshi was nominated as Member *vide* LSS Bulletin Part No.783 dt.14.11.2014

@ Smt. Kusum Rai retired on 25.11.2014 *vide* R.S.S. I.d. No..1(2)2014-coord. dt.20.11.14. Shri Parimal Nathwani nominated as Member w.e.f. 19.12.2014 *vide* LSS Bulletin Part II No.1212 dated 31.12.2014

LOK SABHA SECRETARIAT

- | | | | |
|----|--------------------------|---|----------------------------|
| 1. | Shri K. Vijayakrishnan | - | Additional Secretary |
| 2. | Smt. Anita Jain | - | Joint Secretary |
| 3. | Shri Raju Srivastava | - | Additional Director |
| 4. | Smt. Banani Sarker Joshi | - | Senior Executive Assistant |

INTRODUCTION

I, the Chairperson of the Standing Committee on Railways (2014-15), having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report of the Standing Committee on Railways on the 'Demands for Grants – 2015-16 of the Ministry of Railways'.

2. The Demands for Grants have been examined by the Committee under Rule 331E (1) (a) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on 01.04.2015 and 10.04.2015.

4. The Report was considered and adopted by the Committee at their sitting held on 16.04.2015.

5. The Committee wish to express their thanks to the officials of the Ministry of Railways (Railway Board) for placing before them the requisite material and their considered views in connection with the examination of the subject.

6. The Committee would also like to place on record their appreciation for the assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

NEW DELHI;
16 April, 2015
26 Vaisakha, 1937 (Saka)

DINESH TRIVEDI
Chairperson
Standing Committee on Railways

PART – I

REPORT

INTRODUCTORY

Indian Railways, the lifeline of the nation, is a unique integrator of modern India with a major role in its socio-economic development. The Railways traverses the entire length and breadth of the country providing the required connectivity and integration for balanced regional development. One of the largest transportation and logistics networks of the world, the Indian Railways – a national asset – is a single transport network, connecting far flung areas of the country.

2. Under Article 112 of the Constitution, the Budget Statement showing the estimated receipts and expenditure of the Government of India has to be laid before the Parliament in respect of every Financial Year which runs from 1st April to 31st March. As Railway finances have been separated from the General Finances of the Central Government, a separate budget is presented for the Railways. The financial relationship between the Central Government and the Railways is governed by the recommendations made from time to time by the Railway Convention Committee of the Parliament.

3. The Railway Budget Statement shows the total revenue receipts, revenue and works expenditure, distribution of excess of receipts over expenditure and position of various Funds which the Railways keep with the Central Government, viz., Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, Railway Liability Reserve Fund and Railway Safety Fund.

4. The Revenue receipts of the Railways consist of earnings from passenger traffic, other coaching earnings (which include parcels and luggage), earnings from goods traffic and sundry other earnings like rent, catering receipts, interest and maintenance charges from outside bodies, commercial utilisation of land and air space and commercial publicity on rolling stock and station buildings, dividend from Railways' PSUs, reimbursement of operating losses of strategic railway lines by the Ministry of Finance, etc.

5. There are other miscellaneous receipts also like receipts of Railway Recruitment Boards from sale of application forms and examination fees, etc., and Government's share of surplus profits which includes receipts from subsidized Railway companies in which the Government has no capital interest. The subsidy from the General Revenues in respect of dividend payment is also accounted for in the miscellaneous receipts. The total of Revenue and Miscellaneous receipts makes up the total receipts of the Railways. The portion of the earnings which is due to the Railways during the financial year but has not actually been realized is held in a "Suspense" account. The expenditure incurred by the Railways is on Revenue account and on Works account. The Revenue account consists of Ordinary Working Expenses incurred by the various Departments on the Railways in their day-to-day working and other miscellaneous expenditure like the expenditure on Railway Board, Audit, Surveys and other miscellaneous establishments, payments as regulated by contracts to worked lines which are not owned by the Railways and are either worked by the Indian Railways or companies concerned. The Revenue Account also includes appropriation to the Depreciation Reserve Fund, the Pension Fund and dividend paid by the Railways to the General Revenues. Appropriation to Depreciation Reserve Fund is made annually on the basis of the recommendations of the Railway Convention Committee and is intended to finance the cost of new assets replacing old assets, including the cost of any improved features that such new assets may have. Appropriation to Pension Fund is to finance all pensionary payments to the retired Railway staff. Dividend is payable at the rate of 5% on the dividend paying capital of the Railways. Out of the 5% dividend, 1.5% of the Capital invested up to 31st March, 1964 (less Capital entitled to 'Subsidy') is for transfer to the State Governments in lieu of passenger fare tax and balance for appropriation to the Railway Safety Fund.

6. There are 16 Demands for Grants - Demands 1 to 15 dealing with Revenue Expenses, Appropriations to the Funds and Dividend Payment and Demand 16 dealing with Works Expenditure. Each Demand pertaining to Working Expenses and Miscellaneous Expenditure has a two-way classification, by activity and by primary units of expenditure, the activity classification indicating for what purpose the expenditure was incurred, like track maintenance, water supply, periodical overhaul of locomotives, etc., and the primary units of expenditure indicating how the expenditure was incurred, like salaries, wages, overtime, cost of materials, etc. This two-way classification integrates the requirements of performance budgeting which is based on

activities, and management control which is based on objects of expenditure.

7. Performance during 2014-15 and Budget Estimates for 2015-16

The Budget at a glance as given in the explanatory memorandum in the Railway Budget for 2015-16 is given as under:

[Rs. in crore]				
Actuals 2013-14	Budget 2014-15	Description	Revised 2014-15	Budget 2015-16
139558.18	160165.00	1. Gross Traffic Receipts	159248.00	183578.00
		2. Miscellaneous Receipts		
3370.56	4059.30	(a) Subsidy from General Revenues towards dividend relief & other concessions	4002.13	4728.71
		(b) Other Miscellaneous Receipts		
285.14	150.00		200.00	249.99
3655.70	4209.30	(c) Total Miscellaneous Receipts	4202.13	4978.70
143213.88	164374.30	3. Total Receipts	163450.13	188556.70
97570.75	112649.00	4. Net Ordinary Working Expenses	108970.00	119410.00
24850.00	28550.00	5. Appropriation to Pension Fund	29225.00	34900.00
7900.00	6850.00	6. Appropriation to Depreciation Reserve Fund	7775.00	7900.00
130320.75	148049.00	7. Total Working Expenses [4+5+6]	145970.00	162210.00
		8. Miscellaneous Expenditure		
27.67	--	(a) O.L.W.R.	--	--
1116.38	1126.56	(b) Other Miscellaneous Expenditure	1027.54	1270.25
1144.05	1126.56	(c) Total Miscellaneous Expenditure	1027.54	1270.25
131464.80	149175.56	9. Total Expenditure [7+8]	146997.54	163480.25
11749.07	15198.74	10. Net Revenue [3-9]	16452.59	25076.45
8008.67	9135.00	11. Dividend Payable to General Revenues	9174.13	10810.74

3740.40	6063.74	12. Excess/Shortfall [10-11]	7278.46	14265.71
3075.00	300.00	13. Appropriation to Development Fund	1305.62	5750.00
500.00	5662.74	14. Appropriation to Capital Fund	5919.03	7615.71
165.40	101.00	Appropriation to Debt Service Fund	53.81	900.00
93.6%	92.5%	16. Operating Ratio	91.8%	88.5%
5.6%	6.3%	17. Ratio of Net Revenue to Capital-at-Charge and investment from Capital Fund	6.8%	8.8%

8. It would be seen that the total receipts for the year 2014-15 as per RE are expected to increase by about 14% and the operating ratio is projected to improve from 93.6% to 91.8%.

Passenger earnings are expected to increase by around 18% from Rs.36532 crore in 2013-14 to Rs.43002 crore in 2014-15 (RE). Growth of nearly 18% in passenger earning is likely to be achieved in 2014-15 after registering 11% and 17% growth in 2012-13 and 2013-14, respectively. All these increases from 2012-15 have been achieved on the back of a sharp increase in passenger fares and not due to improvement in passenger throughput increase, either number of originating passengers or passenger KMs. In their replies, the Railways have admitted that the originating passenger grew by 2.4% in 2012-13, -0.3% in 2013-14 and -2.12% in 2014-15 (till February). As per passenger traffic plan contained in the *Explanatory Memorandum – Railway Budget 2015-16*, the passenger throughput is likely to fall rather more sharply by over 3.5% from 1159 billion PKM to 1117 billion PKM. Passenger fares have not been increased in the Railway Budget and still passenger earnings are expected to register a growth rate of 16.7% and increase from Rs.43002 crore in 2014-15 to Rs.50,175 crore in 2015-16. It is proposed to be achieved by registering a growth rate of 3% in originating passengers and 6% in passenger PKMs over RE 2014-15, despite the negative growth witnessed in 2013-14 and 2014-15. The Ministry have observed that it is anticipated that the negative trend would be arrested and improved further in line with anticipated resurgence in the economy and also a slew of measures being taken to capture more passenger traffic. This physical performance coupled with revision of cancellation and clerkage charges and enhancement of advance reservation period (ARP) from 60 days to 120 days is estimated to fetch earnings of Rs. 50,175 crore which is higher than RE 2014-15 by Rs. 7,173 crore. These projections appear to be unrealistic and a trend of hope of over

the odd reality of fall in passenger throughput over the last two years. What makes these projections even more unrealistic is the fact admitted by the Railways that passenger earnings are likely to fall short by Rs.1072 crore in 2014-15 vis-à-vis RE of 2014-15. The Railways may get the benefit of the last passenger fare hike on 25.6.2014 for the first three months of the current financial year but thereafter the entire growth of nearly 19% would have to be achieved through increase in the number of originating passengers and PKMs which appears extremely unlikely, if not impossible.

Freight earnings

9. Freight earnings, the bread and butter of the Railways, are expected to improve by over 14% from Rs.1,06,927 crore to Rs.1,21,423 crore in 2015-16 and TKMs from 688 to 742.6 billion and from 11001 to 11086 millions. Freight earning targets also appear to be equally unrealistic and therefore it would be extremely challenging for the Railways to reach anyway close to these projections under the present constraints. Though freight loadings in million tons has registered a growth rate of nearly 5% over the last two years, the freight throughput in terms of billion NTKM has fallen from 691.6 in 2012-13 (as per freight traffic plan contained in the Explanatory Memorandum of Railway Budget 2014-15) to 688 in 2014-15, i.e. a negative growth of nearly ½% over the last two years. This fall in freight throughput, despite increase in originating million tons, is perhaps due to the fall in the average lead of rail freight traffic which incidentally is at a secular decline over the last many years. However, the Railways, in their reply, have observed that freight BTKMs for 2012-13 were revised downwards from 692 to 651 BTKMS. But it has not been explained by the Railways why this downward revision was effected and whether this downward revision was done only in 2012-13 or all the preceding years. Even if the revised figures are taken to be correct, the freight throughput has registered a growth rate of just 2.5% in 2013-14 and 3% in 2014-15. Against the actual increase of 43 million tons in 2013-14 and 50 million tons in 2014-15, the million ton capacity is expected to improve by nearly 85 million tons in 2014-15. Similarly, freight throughput is expected to improve from 688 to 743 BTKM. These targets also appear to be highly unrealistic, if not nearly impossible to achieve, particularly in the light of the performance of the Railways, both in terms of million tons and billion TKMs over the last two years as discussed above. In their reply, the Railways have admitted that there

is severe congestion on the route and due to fund constraints, the procurement of wagons has fallen from 16800 in 2012-13 to 10,000 wagons in 2014-15. The wagon productivity has gone down from 9261 NTKM per wagon day in 2011-12 to 8471 in 2013-14 and the turnaround time of wagon has deteriorated from 5.08 to 5.13 during the same period; similarly, the productivity of almost all other Railway fixed assets, including track, rolling stock (wagons, coaches, locos and employees). In fact, the negative growth in both passenger and freight throughput over the last two years is the direct consequence of fall in overall systems productivity over the last two years. What is most unfortunate is the fact that the Railways are blissfully unaware, in fact not even ready to admit, that the system productivity has fallen over the last two years even in the face of unfaultable facts supplied by them to the Committee. For example, the Railways have informed the Committee that input cost per NTKM, which was on a secular decline over the last many years, has started to rise from 31.19 paise in 2011-12 to 32.61 paise in 2013-14 and that for PKM from 22.82 paise in 2012-13 to 23.20 paise in 2013-14. The overall Railway throughput is largely captured by freight and passenger throughput and unit cost of these businesses at constant prices is one of the approximate measures of systems productivity. That the system productivity is falling would be clear from the fact that productivity of almost every asset, component, both physical and human, has fallen over the last two years. For example, wagon productivity in terms of NTKM per wagon /day has gone down from 9261 in 2011-12 to 8471 in 2013-14, track productivity from 11.94 million NTKM per route km to 11.45 million NTKM and employee productivity from 0.55 million NTKM to 0.53 in 2013-14. In the light of all these facts of fall in productivity, rising unit cost, declining freight and passenger throughput in one of the last two years, it would be extremely difficult and challenging for the Railways to achieve a growth rate of over 7.5% in freight volume during the current financial year. What makes these targets even more improbable to achieve is the fact of growth likely to be achieved in the commodity-wise traffic plans for goods. For example, POL freight volume has been at a secular decline over the last many years but is expected to grow by nearly 3% in 2015-16. Similarly, the cement volumes which registered a nominal growth of less than 1% in 2014-15 is expected to grow by over 7% in 2015-16 in terms of BNTKMS. It appears to the Committee that the detailed traffic plan has not been worked out methodically and realistically and, therefore, the overall targets, both in terms of freight earnings and freight volume (in million) and BTKM, would be extremely difficult and challenging to achieve.

10. Similarly, other coaching and sundry earnings are expected to grow by nearly 14.5% and over 40%, respectively, in 2015-16. The Railways have informed that such a high growth in sundry earnings and substantial earnings are expected to be achieved through land lease, property development and advertisements. Details of these plans have not been furnished to the Committee but it is felt that it would be extremely challenging to achieve such a high growth rate in sundry earnings, particularly in view of the non-satisfactory performance of the Rail Land Development Authority over the last many years.

11. Based on these unrealistic projections of total receipts, the operating ratio is expected to improve from 91.8% in 2014-15 (RE) to 88.5% in 2015-16 (BE). Such an improvement in operating ratio is equally unlikely, particularly in the light of the fact that the actual operating ratio for 2014-15 may not be 91.8% but close to 93% due to a fall of over Rs.2300 crore in actual earnings vis-à-vis RE. Over 5% improvement in operating ratio can be achieved only through a quantum jump in productivity of existing assets by sweetening them harder and faster and by improving the overall operating efficiency. The trend of falling productivity and rising unit costs can also be easily reversed by single-mindedly focusing on an operating strategy which can be summarized in just three words 'faster (faster turnaround of trains), longer (adding additional coaches / wagons) and heavier (higher axle load) trains. This strategy has to be supplemented by investing limited resource strategically to fill the gaps by adopting a system's based approach to optimize the utilization of the existing assets. 'Low cost, short gestation, rapid pay back and high returns investments' should be given top priority in the allocation of Plan funds. There should be no restriction on taking up 'replacement of assets, traffic facility and throughput enhancement works'.

Annual Plan 2015-16

12. The Annual Plan of the Ministry of Railways for the year 2015-16 has been budgeted at Rs.1,00,011/- crore which as compared to the RE 2014-15 shows an increase of 52 per cent in the total plan. There is 33 per cent increase in Capital (Budgetary Support) and an increase of 8 per cent in Internal Resources. In the 'Extra Budgetary Resources' segment which includes market borrowings by IRFC and schemes like PPP and the new Institutional Finance, the increase is 128 per cent.

13. This Plan would be financed as under:-

[Rs. in crore]

1.	Gross Budgetary Support (GBS)	40,000
2.	Railways' share of diesel cess from the Central Road Fund	1,645.60
3.	Market borrowing under extra budgetary support	17,655
4.	Internal Resources	17,793
5.	Funding through PPP	5781
6.	EBR (institutional finance)	17,136

14. When asked about the proposed allocation, the Ministry have provided the following break-up:

[Rs. in crore]

	2015-16
	BE
Total GBS Including National Projects	41646
Capital	33993
EAP	
National Projects	6007
Safety Fund (Diesel Cess)	1646
Internal Generation	17793
Market Borrowings (Including PPP. WIS etc.)	40572
IEBR	58365
Total (w/o National Projects)	94004
Total (Including National Projects)	100011

15. The plan for 2015-16 seeks to give a major impetus to the following:

- (i) Quality of life in journeys
- (ii) Station Redevelopment
- (iii) Capacity Augmentation
- (iv) Safety
- (v) Technology upgradation
- (vi) Partnerships for development
- (vii) Improvements to Management Processes and Systems

- (viii) Resource Mobilization
- (ix) Human Resources
- (x) Energy and Sustainability
- (xi) Transparency and Governance initiatives.

16. When enquired about the main challenges being faced by the Railways, the Ministry have enumerated as under:-

“As the growth in the economy picks up in the years to come, IR will have a challenging task ahead because of line and terminal capacity constraints in transporting the incremental traffic. Therefore, there is need for significant investment in the network, especially the HDN routes and its feeder and other important routes. This would include prioritized capacity enhancement works such as doubling/tripling/quadrupling and traffic facility works like Intermediate Block Sections, bypasses, longer loops for running long haul trains. The Goods sheds along these routes would also need to be strengthened. The capacity of Workshops needs to be enhanced to cater to larger volume of maintenance of wagons and coaches. Similarly prioritized electrification and signalling & telecom works are also of importance for reasons of safety and efficiency.

There is a large shelf of pending projects which is estimated at Rs. 4,91,510 crore on the basis of originally estimated costs. Of these, fund requirement for the prioritized works such as doubling, new lines, gauge conversion, traffic facilities, signal & telecom works, workshops and electrification is estimated at Rs. 2,08,054 crore. Such prioritization of works as per developmental requirements can ensure a sustained flow of funds for such projects and focused attention can be given for early completion and commissioning of these works. These will have a direct bearing on the line capacity which in turn will ensure higher earnings and optimal utilization of assets.

Further, there are constant demands for new lines. From the point of view of remote area connectivity and meeting the demands of all for access to rail travel, construction of new lines also assumes importance. However, all of these

demands do not translate into viable projects from the point of view of Railways. Hence, a large number of socially desirable projects have been sanctioned in the past creating huge throw-forward liability and thin spread of funds. In many cases, IR carries the burden of losses from operations in case such projects are undertaken. In order to give impetus to execution of these socially desirable projects, partnership with State Governments would be the way forward

Projects have been languishing for years on account of absence of assured funding. Delay in execution of projects leads to time overruns and cost overruns. This has an impact on the viability of the projects once they are completed. The available resources are normally spread out thinly over all sanctioned projects. In the current year, projects have been prioritized and funding assured for all the projects that can be taken up for early completion.”

17. When the Ministry was asked how it was gearing up to achieve the ambitious targets set for achievement, they have stated that in view of the inadequate GBS allocation and consequent criticality in availability of funds, prioritization of projects has been carried out on the following lines:-

- (a) Capacity enhancement works.
- (b) Projects with quick revenue generation potential.
- (c) Projects which provide alternate routes.
- (d) Projects which improve safety in train operations.
- (e) Projects leading to debottlenecking.

18. Efforts are being made to garner as much internal resources as possible. The Railways have already undertaken an exercise of prioritization of work so that focused attention can be paid to the important and urgent projects which are either in the last leg of their completion or are concerned with capacity enhancement and debottlenecking of the network. New participative models for rail connectivity and capacity augmentation projects are being considered. This will encourage outside investment in the Railways thus reducing the reliance on in-house and government funding. The process of attracting Foreign Direct Investment has been initiated.

19. During the course of examination, the Committee drew attention of the Ministry to the trend of the recent past where there has been a sharp decline in the share of internal resources, consequently pointing to a greater dependence on the Gross Budgetary Support and on market borrowing, both of which impinge on the financial resources of the Railways. The Ministry of Railways have informed as under:-

Year	GBS	Internal Resources	Borrowing/Lease
2010-11	47.4 %	28.7%	23.9%
2011-12	46.8%	20.4%	32.8%
2012-13	50.0%	20.0%	30.0%
2013-14	52.7%	19.0%	28.3%
2014-15	49.35%	23.45%	27.2%
2015-16	41.6	17.8	40.6%

20. When asked about the reasons for the poor generation of internal resources, the Ministry have replied that the implementation of the 6th Central Pay Commission recommendations had severely impacted the financial health of the Railways with additional burden towards pay and pension, leaving only an 'Excess' of Rs. 75 lakh in 2009-10. The precarious financial position of the Railways during 2010-11 and 2011-12 did not permit adequate appropriation to Railway funds, resulting in negative fund balances during these years. It may be noted that the Railways had to borrow Rs. 3000 crore from the Ministry of Finance during 2011-12 for the Development Fund to get over from the negative fund balances and also to provide for essential plan expenditure from this Fund.

21. On the proactive measures being taken to decrease this over-dependence, the Ministry has informed that efforts towards enhancing internal resource generation in Railways are a continuous endeavour. Towards this end, the Railways have therefore targeted progressively higher revenue through an inter-mix of capacity augmentation and pricing which includes:

- Targeting progressively higher volume of passenger and freight traffic;
- Periodic revision of both freight and passenger tariffs and fares;

- Periodic revision of various charges incidental to passenger & freight;
- Exploration of alternate sources of revenue like commercial exploitation of surplus Railway land, advertisement on Railway premises/assets, etc;
- Various expenditure control measures include –
 - Constant endeavour by Railways to effect economy in expenditure.
 - Austerity and economy measures in areas such as hospitality, publicity, advertisements, inaugural ceremonies, seminars and workshops, contingent office expenses, etc.
 - Implementation on Railways, of guidelines on expenditure control & management circulated by the Ministry of Finance.
 - Rigorous monitoring of expenditure w.r.to the monthly budget proportions.

22. The proposed Annual Plan envisages that nearly Rs.40,000 crore would be mobilized through market borrowings and PPP. Presently, the Railways are an under-leveraged organization and, therefore, there is a scope for increasing the leveraging of the Railways, provided the amount so mobilized is spent entirely on throughput enhancement traffic facility, replacement, renewal and modernization of Railway asset works. The incremental operating cash flows from such investments should be more than the cost of these borrowings so that the Railways do not get into a debt trap. As has been noted in the foregoing paras, the Railways system productivity has fallen over the last two years due to inadequate investment in replacement, renewal and modernization of assets, traffic facility works and throughput enhancement works. The aforesaid kinds of works as noted in para 17 should be implemented without any budgetary constraints. The Committee are of the view that presently the Railways are not generating enough operating cash surplus, after payment of dividend and principal component of leasing charges to RFC to even run as a 'going concern' on a continuing basis. In their replies, the Railways have admitted that the Railways generated a surplus of just Rs.1826 crore in 2014-15 after discharging these liabilities and after making provision of depreciation of Rs.7775 crore. This amount is grossly inadequate for sustaining even the present throughput of the Railways. Therefore, the first charge on the Annual Plan should be on those works (as noted in para 17 above of the

Railways, which are absolutely critical for sustaining the present throughput of the Railways). Such works will include replacement, renewal and modernization of assets on actual requirement basis rather than on residual basis, traffic facility works through development fund or otherwise and throughput enhancement works through capital fund or otherwise. The residual amount, if any, should be spent on socio-desirable but operational un-remunerative works like new lines, etc. in socio-economic backward regions, etc. The Railways have informed the Committee that they are planning to form SPVs for implementation of such socio-economically desirable, operational loss making new line works in partnership with the State Governments. However, it may be noted that the physical space available with most of the States is rather limited and, therefore, the scope for taking up such works appears to be extremely limited. The Committee are of the view that the Railways should increase their allocation substantially on traffic facility works and throughput enhancement works for network, decongestion, de-bottlenecking and operational improvements and expansion and diversification of high density rail corridors. Similarly, procurement of rolling stock, particularly electric locos and wagons, needs to go up substantially as per the operational requirements without any budgetary constraints. Since procurement of wagons and electric locos has registered a negative growth over the last two years, the Committee would strongly recommend that a procurement plan for these bread earning assets should be increased substantially. Works for electrification of high density corridors, automatic block signaling works and works for decongestion, de-bottlenecking and throughput enhancement works for doubling, tripling, etc. should be given high priority in implementation without any budgetary constraints. The Committee are of the view that the Railways should not implement broad cuts in allocation for both for productivity and unproductivity works. In fact, there should be no budgetary constraints for the kind of works described in the foregoing paras.

Proposed Investment Plan 2015-2019

23. The Indian Railways has suffered from chronic and significant under-investment as a result of which the network expansion and modernization have not happened at the requisite pace, leading to an erosion of its share in national freight and passenger traffic. There is a clear recognition of the fact that for serving as the lifeline of the nation and making a contribution to the country's growth, the organization needs to become operationally and financially sound. To this end, the Minister of Railways, in

his Budget speech, has outlined an agenda for transformation of the Ministry over the next five years which includes four goals:-

- (a) Sustained and measured improvement in customer experience;
- (b) To make rail a safer means of travel;
- (c) Expansion of capacity and modernization of infrastructure; and
- (d) To make Indian Railways self-sustainable.

24. To address the financial condition of the Indian Railways and for achievement of the above mentioned agenda, an investment of Rs.8.5 lakh crore over the period 2015-19 has been proposed by the Minister of Railways in his Budget Speech. Incidentally, in the Railway Budget of 2012-13, an investment proposal to the tune of Rs. 7.35 crore was made for the 12th Plan.

25. The proposed break-up is given as under:-

(Rs. in crore)

PROPOSED INVESTMENT PLAN (2015-2019)	
Item	Amount
Network Decongestion (including DFC, Electrification, Doubling, including electrification and traffic facilities)	199320
Network Expansion (including electrification)	193000
National Projects (North Eastern & Kashmir connectivity projects)	39000
Safety (Track renewal, bridge works, ROB, RUB and signalling & Telecom)	127000
Information Technology/Research	5000
Rolling stock (Locomotives, coaches, wagons - production & maintenance)	102000
Passenger Amenities	12500
High Speed Rail & Elevated corridor	65000
Station redevelopment and logistic parks	100000
Others	13200
TOTAL	8,56,020

26. When asked whether, given the alarming status of the Railway finances, the proposed investment plan appeared too ambitious to implement, the Ministry have stated that this injection of funds has been envisaged as an Investment Plan to turn around the Railways in order to make it self-sufficient and to provide capacity for

carrying freight and passenger in order to help the Railways and the Indian economy grow. They further added that special effort has to be made by the Indian Railways to make an ambitious plan for all round development. During the evidence, the Chairman, Railway Board, has informed that –

“Regarding the details of the roadmap for implementation of the said investment plan, the Ministry has stated that they propose to raise the required resources from a mix of internal generation of Railways, budgetary support from the General Exchequer and Extra Budgetary Resources (EBR). Railways expects to generate internal resources to the tune of Rs.1 lakh crore by increasing carrying capacity, improving efficiency of operations and maintenance, tighter control over costs, greater discipline over project selection and execution. Railways also propose to increase non-operational revenues from land resources, station redevelopment, commercial publicity, tourism, Optic Fibre Cable network along railway track etc. They expect to receive Gross budgetary support of Rs.2.5 to 3 lakh crore. Further, there is a proposal to partner with State Governments and public sector entities, who are interested in developing rail connectivity for transporting critical commodities like coal, iron ore, cement etc. Railways are already raising market borrowing through Indian Railway Finance Corporation, mostly to finance rolling stock. Railways also intend to tap long term sources of funds like institutional investors including insurance and pension and funds, and multilateral and bilateral agencies to fund revenue generating projects. In this regard, an Memorandum of Understanding has been signed with Life Insurance Corporation of India for Rs.1,50,000/- crore financial assistance over a period of five years. It is also expected to generate an investment of Rs.1 lakh crore through Public Private Partnership.”

27. The Committee desired to know whether the Ministry had worked out the specific modalities to arrange funds to finance this immense investment plan and also the agencies that would be involved. In response, the Ministry has informed that in addition to signing a Memorandum of Understanding (MOU) with the Life Insurance Corporation of India on 11th March 2015 in which a committed funding assistance to the tune of Rs.1,50,000/- crore over a 5-year-period from 2015-16 to 2019-20 has been assured, the Ministry was also considering various options/ structures/ strategies to

access long-term funds from infrastructure funding agencies, institutional investors like pension funds and multilateral and bilateral agencies.

28. Funding from the World Bank and the Japanese Bank for International Cooperation (JICA) has already been tied up for the Eastern and Western Corridors, respectively, of the Dedicated Freight Corridor (DFC).

29. Keeping in view the immense task of nurturing the Indian Railways back to sound health, the Committee desired to know whether any expert study had been conducted to chalk out the blueprint for revival of Railway finances. The Ministry have informed that they had already constituted a High Level Committee with Shri D.K. Mittal as Chairman to identify factors, issues and avenues for improving financial health of the Indian Railways. The Committee had submitted their report on 26th December 2014 and their recommendations were under consideration of the Ministry. In this context, the Committee also noted that the Ministry of Railways are looking into introducing bullet trains in the country. The Committee are of the view that the bullet trains will need huge investment which, under the current financial strains that the Ministry are facing will be a very onerous challenge. The Committee feel that in case bullet trains are introduced the entire financing should come from the Government's side.

30. When asked about the major operational constraints being faced by the Ministry, the Committee have been informed that the main limitation of the Railways is severe congestion on almost all the important routes of the Indian Railways. Therefore, the short-term, mid-term and long-term goals of the Ministry are aligned to network decongestion and expansion in order to move existing traffic efficiently, faster and to take care of additional traffic as well.

31. It may be seen that the total receipts for the year 2014-15 was reduced from Rs. 160165 crore (BE) to Rs. 159248 (RE) i.e. by Rs. 924.17 crore. Similarly, the total expenditure was reduced from Rs. 149175.56 crore (BE) to Rs. 146997.54 crore (RE), i.e. Rs. 2178.08 crore. The net revenue, however, witnessed an increase of Rs. 1253.85 crore. In comparison, the Budget Estimates 2015-16 have seen an increase of Rs. 25106.57 crore in total receipts, Rs. 16482.71 crore in total expenditure and Rs. 8623.86 crore in net revenue as compared to 2014-15 (RE). The actuals are not

available till date. When the Ministry was asked the reasons for shortfall and deficiencies, they have stated that the shortfall and deficiencies are basically due to fund constraints and associated with land acquisition, forest clearance and law and order problem in executing the projects. Further, to a query on whether allocations were commensurate to the requirements of the Ministry, it has been stated that the basic problem was of inadequate availability of funds as the Railways' Internal Generation is poor and the Railways have to depend on Gross Budgetary Support, Market Borrowing and PPP. Due to this reason, allocation to all plan heads was not as per requirement. When asked about the accumulated arrears on account of depreciation and the amounts required to wipe these out as well as the amounts required for Traffic Facility works, the Ministry of Railways, in a written reply, have informed as under:-

“The accumulated arrears on account of Depreciation and Traffic Facilities and the amounts required to wipe it out is estimated at Rs.58,903 crore approximately. This includes Rolling Stock, Signalling, Track, Bridges, Electrical, Machinery & Plant and other such items. The amount towards Traffic Facilities out of this is Rs.4,396 crore.”

It is evident from the above reply that Railways require this type of resources to wipe out the accumulated arrears and also to provide for Traffic Facility works. This needs urgent attention of the Ministry of Railways as this has a serious impact on the safety of the travelling public who otherwise would be at grave risk.

32. The Indian Railways has a large shelf of pending projects estimated at Rs. 4,91,510 crore on the basis of the originally estimated costs. Therefore, prioritization of projects has been done in order to prevent thin spread of scarce funds. Funds have been allocated in such a manner so that the prioritized projects can be completed in a time-bound manner.

Gross Traffic Receipts

[Rs. in crore]

Actuals 2013-14	Budget Estimates 2014-15	Revised Estimates 2014-15	Actuals *upto February 2015	Budget Estimates 2015-16
139,558.18	1,60,165	1,59,248	140250.98	1,83,578

33. It may be seen that at the revised estimates stage though the Gross Traffic Receipts was reduced by Rs. 917 crore, yet actuals upto February, 2015 were only Rs. 140250.98 crore.

34. When the Committee wanted to know the variation in the Revised Estimates and the actuals, the Committee were informed that the Gross Traffic Receipts in RE 2014-15 is Rs.1,59,248 crore. The actual figure would be known only by the end of the year. However, the approximate traffic earnings of Rs.1,40,250.98/- to the end of February 2015 are short of the proportionate budget target (based on RE) by around 1.4 per cent of RE.

35. The Budget Estimates 2015-16 for Gross Traffic Receipts was substantially enhanced as compared to the Budget Estimates 2014-15 almost to the tune of Rs. 23000 crore. On the strategy/measures that the Ministry were adopting to effect an optimum utilization, the Ministry have given the following details:-

- (a) *Passenger Earnings: BE 2015-16 envisages a growth of 3% in originating passengers and 6% in passenger traffic throughput in terms of Passenger Kilometers (PKMs) over RE 2014-15. Despite the negative growth witnessed so far in 2014-15, it is anticipated that the negative trend would be arrested and improved further in line with anticipated resurgence in the economy and also a slew of measures being taken to capture more passenger traffic. This physical performance coupled with revision of cancellation & clerkage charges and enhancement of advance reservation period (ARP) from 60 days to 120 days is estimated to fetch an earnings of Rs. 50,175 crore which is higher than RE 2014-15 by Rs 7,173 crore.*
- (b) *Other Coaching Earnings: Other Coaching Earnings in BE 2015-16 has been estimated at Rs. 4,612 crore with a growth of 14.5% over RE 2014-15 anticipating normal growth in the segment in tune with the growth in passenger traffic and also accounting for some additional revenue from revision of platform ticket rates and service charges on e-tickets issued by IRCTC.*
- (c) *Goods Earnings: BE 2015-16 envisages a loading target of 1186.25 MT*

which is 85 MT incremental over RE 2014-15 with a growth of 7.7% and 7.9% growth in freight traffic throughput, respectively, in terms of Tonnage and Net Tonne Kilometers (NTKMs) over RE 2014-15. This physical performance anticipated for 2015-16, with benefit of the hikes effected in 2014-15 (tariff hike w.e.f 25.06.2014 and revision of port congestion and container haulage charges from Nov.'14), coupled with increase in class rates by 10%, rationalisation of commodity classification and distance slabs in 2015-16, is estimated to fetch an earnings of Rs. 1,21,423 crore which is higher than RE 2014-15 by Rs 14,496 cr.

- (d) *Sundry Other Earnings: Sundry Other Earnings in BE 2015-16 has been estimated at Rs.7,318 crore anticipating normal growth in most of the segments of this earning and targeting substantially higher earnings from land lease, property development and advertisement.*

Passenger Traffic

36. Railways traffic is a derived demand. It emanates from the requirement of the growing population of the country which has already reached 125 crore. This population generates the demand directly on the passenger side and indirectly on the freight side. The details of passenger earnings and passenger traffic are as under:-

[Rs. in crore]

Revised Estimates 2013-14	Actuals 2013-14	Budget 2014-15	Revised 2014-15	Budget 2015-16
37,500	36,532.25	44,645.00	43,002.00	50,175.00

37. The Ministry of Railways have also furnished the details of the number of passengers originating and passenger earnings during 2013 and 2014 as under:-

	Actuals 2013-14	Revised Estimates 2014-15	Actual to end of December, 2013	Actual to end of December, 2014

No. of Passengers Originating (in millions)	8397.06	8350	6360.15	6256.16
Passenger Earnings (Rs. in crore)	36532.25	43002.00	26869.11	31451.36

38. The percentage increase in passenger traffic and passenger kilometers in suburban and non-suburban segments is as under:-

	Originating Passengers (Millions)					
Suburban	4377.44	3.7%	4476.56	2.3%	4552.18	1.69%
Non-sub-urban	3846.94	7.2%	3944.14	2.5%	3844.88	-2.52%
Total	8224.38	5.3%	8420.70	2.4%	8397.06	-0.28%
	Passenger Kilometres (PKMs) (millions)					
Suburban	144058	3.8%	145654	1.1%	168590	15.7%
Non-sub-urban	902464	7.3%	952449	5.5%	990153	4.0%
Total	1046522	6.8%	1098103	4.9%	1158743	5.5%

39. It is seen keeping in view the persistent negative trend of originating passengers and its consequential impact on earnings, the Passenger Earnings target in the Revised Estimates for 2014-15 was reduced to Rs.43,002.00 crore as against the Budget Estimates of Rs.44,645 crore. Assuming a 3 per cent growth in the originating passengers and taking into account revision of clerkage and cancellation charges on tickets and also the increase of advance reservation period from 60 days to 120 days, passenger earnings for 2015-16 have been estimated at Rs.50,175.00 crore.

40. The Ministry has attributed the downtrend in targets for Revised Estimates to negative growth in originating passengers in 2013-14 and also in the current year (2014-15) so far. To the end of February 2015, the growth in passengers is negative by 2.12% over the corresponding period last year, i.e. 163.13 million passengers' less than in the previous year. Keeping this trend in view, the originating passengers target had to be revised downward from the BE figure of 8645 million to 8350 million in RE. Correspondingly, the passenger earnings target was revised downwards from Rs. 44,645 crore in BE to Rs. 43,002 crore in RE.

41. It is seen that there is a negative growth in the traffic of the passenger services of the Railways. The Ministry has given the following reasons:-

- *Changed norms/regulations in the issue of concessional tickets particularly in case of Izzat MSTs w.e.f. October, 2013.*
- *General Election in April and May 2014.*
- *Heavy monsoon in eastern region, floods in J&K & Hudhud cyclone in Visakhapatnam.*
- *Closure of certain sections in North Eastern Railway.*
- *On South Central Railway, last year, due to Telangana agitation and bus strike, seven million passengers had shifted to rail mode. This year, these passengers have gone back to road mode.*
- *Due to bifurcation of Andhra Pradesh State from June, 2014, the movement of passengers between the divided A.P. State and twin cities of Secunderabad and Hyderabad has decreased considerably. The shortfall is to an extent of about six million passengers between June, 2014 and October, 2014.*
- *Shortage of ticket checking staff is also affecting check drives which may lead to ticketless travel.*
- *There is a 3.7% drop in Non-suburban traffic during 2014-15 (April-January) compared to the corresponding period in 2013-14. Significant drop has been observed in distance slabs of 1-40 Km of (-) 8.5% and in 1-150 km of (-) 5.1%.*
- *The drop in 1-40 Km slab is mainly on account of improvement in roads both in terms of connectivity and in quality. Further the two wheeler segment has clocked a growth of 12.9 per cent (YoY) to reach nearly 13.5 million units by October 2014. This is attributed to the low cost of two wheelers and availability of easy loan options which have attracted large lower and middle class segment in both rural and urban areas to shift to*

road over short distances. This has resulted in saving of time and greater flexibility to travel as per convenience by road compared to rail which requires in addition to fixed timing an additional mode of travel to and from the railway station at origin and destination. Expansion of metro networks has also impacted this segment. The increase in fares of 14.2% for the slabs in 80 Km and above during 2014-15 has also brought down the difference in ticket charges by rail and road in shorter segments. Further, improvement in bus services, introduction of shared-taxis, mini-vans and auto rickshaws in this segment has given better and cheaper option for passengers in this slab. Since a large number of passengers using rail in this segment are daily commuters, improvement in punctuality of trains and review of train timings at origin, enroute and the destination station to suit the commuter requirements is probably the only way to attract/retain passengers in this segment.

42. In many sections over the Indian Railways, medium distance passengers (100-300 km) are unable to travel in trains for want of accommodation in the form of GS coaches in the Mail/Express trains. In such sections, there is a drop in passengers booked. This has happened mainly in sections where gauge conversion has occurred or where the intercity type of rake have been withdrawn and were replaced by a long distance train by extending the service of a long distance train on the same path with predominantly GSCN coaches and limited number of GS coaches (2 or 3), which is inadequate for the level of passenger traffic available. This has left the committed railway passengers with no choice but to move away from rail to road.

43. Though a negative growth in PKMs has been registered during 2014-15, all efforts are being made to improve upon the passenger traffic through the following steps:-

- *Accommodation in trains have been increased through increase in number of coaches, frequency of services and introduction of new trains.*
- *Providing more facilities through technological interventions for purchasing tickets, installation of Automatic Ticket Vending Machine (ATVMs), improving speed of the internet ticket system, commencing pilot*

project on mobile ticket over suburban sections of Central, Western and Southern Railways.

- *Opening more outlets of Jan Sadharan Ticket Booking Sewak and Yatri Ticket Suvidha Kendra to help reduce the rush at railway stations while providing public with facility for purchase of tickets at convenient locations.*
- *Alternative options to travel in reserved accommodations in trains at short notice through introduction of schemes like Tatkal tickets, Premium Tatkal Tickets, Premium trains with dynamic pricing run at short notice (ARP of 15 days and less).*
- *Running special trains during festivals and holidays to facilitate passengers to travel.*
- *Indian Railways is operating special trains on tourist circuits in collaboration with State Tourism Corporations and IRCTC to encourage people to travel to destinations of tourist and pilgrimage interest.*

Freight Traffic

44. The Indian Railways are the largest transporter of bulk commodities in the country carrying essential goods necessary for development and economic progress. The Indian Railways carried 1053.55 million tonnes of freight in 2013-14. The revenue earning freight loading performance in 2014-15 up to November 2014 was 713.11 million tonnes as against 677.58 million tonnes achieved during the corresponding period of last year.

45. The demand for freight loading on the Indian Railways is a derived demand and is dependent on the growth of the economy, especially in the core sectors since the Railways is primarily a bulk carrier of freight. The details of freight loading and freight earnings are as under:-

	Actuals 2013-14	Revised Estimates 2014-15	Actuals to end of February, 2015
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Freight Loading (in million tonnes)	1051.64	1101.25	993.31
Freight Earnings (Rs. in crore)	93905.63	106927.00	94765.45

46. Keeping in view the trend of freight loading during the course of the year, the revised target for 2014-15 was retained at the Budget Estimates level of 1,101.25 million tonnes. Further, revisions of port congestion and container haulage charges were effected in November 2014 which were post-budgetary developments. Finalization of 2013-14 accounts also depicted an increasing revenue trend under demurrage and wharfage. Accordingly a higher revenue target of Rs. 2,550 crore was envisaged in the RE under demurrage and wharfage against the BE target of Rs. 2200 crore. Taking note of the additional revenue from all these factors, freight earnings in the Revised Estimates 2014-15 has been increased to Rs.1,06,927.00 crore as against the budgeted level of Rs.1,05,770.00 crore.

47. To the observation of the Committee that though there has been a growth in the freight sector, yet the Railways continued to face revenue loss vis-à-vis roadways, the Ministry has stated that despite the growth in the Railways' freight business over the years, the Railways' share in the overall freight transport has declined over the years. The growth of road sector is a sign of development of the economy and is not in conflict with the development of rail transport. The economy of rail transport is in long distance bulk traffic. The principal commodities like coal, iron-ore, fertilizer, cement, etc., relating to the core sector of the economy, continue to have a high rail-coefficient.

48. The Railways were, however, optimistic on better performance in 2015-16. In this connection, during the evidence before the Committee, the Chairman, Railway Board, informed as under:-

“First, my DFC will come into being in 2019; and my existing network is going to go up substantially. So, I am hopeful that the additional freight I will be able to carry will generate enough surpluses. The indications are available even in the present scenario with the Coal Minister announcing that he is going to increase the outturn of coal from one billion to 1.5 billion in the next five years.

If it comes true, or even if a part of it comes true, and with 90 per cent rail coefficient, the bulk of this traffic is going to come to the Railways.

Secondly, with mining getting liberalised, I am going to get substantial traffic or iron ore and other minerals. Today, my limitation is not non-availability of traffic. Today, my limitation is line congestion, rolling stock availability, and in these five years with these funds which are going to be available now and traffic available, I am sure that we will be able to service the debt that we are going to have on account of this institutional financing.

One more thing that we have done for resource mobilisation is partnership with the States. We have written to all the States and bulk of the Chief Ministers have agreed to enter into MoU with the Railways where we will be able to partner with them and share the cost of the projects. We are going to have partnerships with PSUs like Coal India, NMDC for iron, ports, and NTPC. They have surplus funds available and they are prepared to invest in railway sector so that it is a win-win situation for them and also for us so that we are able to carry their additional traffic.

In Jharkhand area, we are constructing two railway lines which will give us 100 million tonnes of coal extra. Similar MoUs are being signed and this investment comes into Railways which will be helpful to both Railways and to them. We are entering into partnerships with bilateral and multilateral organisations. We have entered into an MoU with the LIC. We are in talks with JICA of Japan and in talks with ADB. We are also having consultations with the World Bank for financing of railway projects. We are in fact going to have partnership with even private sector for the last mile connectivity projects. Marora and Madhepura which you are aware were pending for so long, we have at last issued the RFP which are opening on 31st August and 1st September."

49. To a suggestion that with declining passenger earnings, the freight sector was under undue pressure for greater earnings, the Ministry have replied that –

"Though growth in passengers originating has been only 2.4% in 2012-13 and negative (-0.3%) in 2013-14, passenger earnings have grown by 10.9% and 16.6%, respectively. It would also not be correct to say that passenger fares

have remained almost static since passenger fares have been revised very moderately for AC classes in 2012-13 and in a major way on 21.01.2013, 07.10.2013 and 25.06.2014. It is further observed that the share of freight earnings in the traffic earnings of Railways over the years has revolved around 64% (in 2002-03 & 2003-04) to 68%(in 2012-13) and 67% in 2013-14 and 2014-15 (RE). Being the core/predominant earning source of the Railways, freight earnings are expected to contribute substantially to Railways' earnings."

50. In a bid to attract more freight traffic, the Railways have informed that they are taking the following steps:-

- *Policies like Liberalized Wagon Investment Scheme (LWIS), Wagon Leasing Scheme (WLS), Special Freight Train Operator Scheme (SFTO) and Private Freight Terminals have been issued to attract rail users for freight traffic. These policies are under review to make them more customer friendly, liberalized and attractive;*
- *Automatic Freight Rebate Scheme has been launched to attract traffic in directions where wagons traditionally move empty. The rebate is automatic with fulfillment of required parameters without customer being required to apply for it;*
- *Implementation of e-registration of Demand (e-RD) to facilitate electronic registration of demand for wagons from the comforts of home/office without visiting the goods shed."*

51. The Minister of Railways in his Budget Speech has proposed to set up a PSU – Transport Logistics Corporation of India (TRANSLOC), to develop common user facilities with handling and value-added services to provide end-to-end logistics solution at select Railway terminals through Public Private Partnerships. In the initial period, it has been proposed to upgrade 10 existing goods sheds of the Indian Railways and develop 30 small multimodal logistic parks where the Indian Railways has surplus land.

52. The Ministry of Railways' proposal for setting up the Transport Logistics Corporation of India (TRANSLOC) is essentially aimed at developing common user

facilities at some of its existing goods sheds to begin with, and state-of-the-art MMLPs on Indian Railway's land in the long term. Functions that are proposed to be entrusted to TRANSLOC are as follows:-

- Development of Master Plan for a network of freight terminals, including Multi-Modal Logistics Parks (MMLPs) considering the traffic potential.
- Develop a business plan for setting up of logistics parks/terminals.
- Identification of surplus Railway land available for use in upgradation and expansion of existing goods shed into MMLPs and for development of new terminals and MMLPs.
- Develop the goods sheds as modern handling and distribution point by providing value added services which include packaging, labeling, retailing distribution and in long term, re-processing the cargo as per the customer need.
- Development of customer centric warehouses and chain of controlled atmosphere warehouses for providing support to all types of business.
- Making arrangement for Inter-Modal transfer, including road to rail and rail to road.
- Development of integrated mechanised environment friendly loading/unloading arrangement for bulk traffic like iron ore, coal, etc.

53. On the funding method to be followed in this endeavour, the Ministry has replied that the authorised capital of the Corporation, which is pegged at Rs. 500 crore will be provided by the Ministry of Railways. The amount of paid-up capital is assessed as Rs.185 crore for the first year, Rs. 152 crore for the second year and Rs. 20 crore in the third, amounting to Rs.357 crore in all. This fund will be utilised for the following items:-

- (a) Administrative cost of the organisation for the first three years.

- (b) Initial Equity funding for 10 goods sheds, 30 small size MMLPs and 02 midsize MMLPs.
- (c) Funding an IT enabled integrated system.

54. The Committee has been further informed that TRANSLOC will be authorized to raise money from the debt market and through Public Private Partnership (PPP) for developing the terminals. The net investment envisaged in the first three years, either directly or through PPP route, is expected to be to the tune of Rs.2900 crore. Presently, the Ministry of Railways are processing for Financial Appraisal of the proposed PSU through the Expenditure Finance Committee (EFC/PIB). Thereafter, the Ministry of Railways will submit a proposal to the Cabinet for its approval.

New Lines

55. The Railways are a very vital infrastructure in integrating the country providing a crucial link to people living in remote areas and enabling transportation of bulk cargo and long distance passengers. The expansion of the network through laying of new lines brings in the rail connectivity to the population of the hinterland.

(Rs. in crore)

Actuals 2013-14	Budget Estimates 2014-15	Revised Estimates 2014-15	Actuals (2014-15) (December 2014)	Budget Estimates 2015-16
5808.66	8569.04	8963.67	4065	12830.88

56. At the time of Independence, the total rail network was of 53,596 kms; after the lapse of 67 years, the rail network is only 65,806 kms which means that in 67 years, the Railways have managed to add only 12,210 kms. On an average, this works out to be just 183 kms per year. In fact, the Table below illustrates the abysmally low levels of progress as is exhibited by the figures of the last five years. In so far as addition to the rail network is concerned, the details of new lines/network expansion during the last five years are as under:-

New Lines (in kms)	2009-10	2010-11	2011-12	2012-13	2013-14
	258	709	725	501	450

57. It may be seen from the above that, on an average, the Indian Railways have been able to add a meager 528 kms to its network per year in the last five years. When enquired as to what was the cause of this, the Ministry have replied that the expenditure till December 2014 is Rs. 4065 crore. Till February 2015, 204 kms of New Lines have been constructed. Allocation of funds to various projects is done on a year-to-year basis depending upon the Gross Budgetary Support (GBS) extended by the Ministry of Finance to the Ministry of Railways. The growth in Network length is not only dependent upon higher budgetary allocation on a continuous basis but the allocation needs to be increased from year to year. As projected funds for future years are not known, works are planned and targets fixed in the beginning of the year based on the budget allocation for the year. Funds allocated in a particular year are partly utilized for projects targeted for the year and a major part of the funds are utilized for section project targeted for the succeeding years.

58. Comparative analysis of outlays (GBS) & corresponding length of new lines constructed in recent years is given below:-

(Rs. in crore)								
Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Outlay (GBS) / Expenditure	2706	3174	4570	6250	6159	6243	6612	8847
DFC Land	-	-	30	1404	1531	1477	1738	1050
National Projects	1021	1036	1423	1626	1469	2072	2213	4427
Balance Outlay for other projects	1685	2138	3117	3220	3159	2694	2661	3370
Total KM completed	156	357	258	709	725	501	450	204 Feb 2015

59. It is seen that there was a comparatively better achievement in the years 2010-12. When asked the reasons for the same, the Ministry have stated that the achievement of higher growth in laying of New Lines during 2010-2012 was as a

result of higher allocation in the preceeding year which is evident from allocation to New Lines in the last 8 years. Compared to 2007-08 & 2008-09, there was a significant increase in allocation in 2009-10, 2010-11 and 2011-12 which resulted in higher growth; thereafter, the allocation, instead of increasing in real terms, has reduced if cost escalation factor is taken into account. The squeeze got further accentuated by ring fencing of substantial allocation for New Lines since 2013-14 for National Projects. Though National Projects are important from the point of view of development of far flung remote border areas but the output in terms of actual length commissioned is very less as these projects are very capital intensive being in hilly region (cost per km is manifold compared to projects in plains).

60. To a specific query as to whether allocation in 2015-16 which is significantly higher vis-à-vis the previous years would result in better results, the Ministry of Railways have replied that the proposed allocation to New Line in Budget 2015-16 is substantially higher compared to 2014-15. Total allocation in Budget 2015-16, including land for DFC and dividend free New Line, is Rs.14,330 crore (Rs. 10,245 crore from Gross Budgetary Support & Rs. 4,085 crore from Extra Budgetary Resources). As pointed out in the foregoing paragraphs, enhanced allocation in one year will not translate into immediate increase in total length to be added in that particular year. If budgetary allocation is sustained at the level of 2015-16, after two years, definite hike will be seen in the length added.

Gauge Conversion

61. The Indian Railways have historically developed 3 gauges:

- (i) Broad Gauge
- (ii) Meter Gauge
- (iii) Narrow Gauge

62. Starting 1992, the Indian Railways have increasingly sought to replace the meter gauge system with broad gauge in order to ensure seamless movement of traffic and passengers, besides augmenting the carrying capacity. Gauge conversion is

beneficial in view of the fact that transportation across multiple gauges is inconvenient as it requires transshipment for both the travelling public and also freight users, thereby operationally benefiting the Railways and also reducing the inconvenience of the users residing in the converted sections that would now have access to the entire broad gauge network of the Railways without having to undergo the inconvenience of transshipment.

(Rs. in crore)

Budget Estimates 2014-15	Revised Estimates 2014-15	Actuals upto December 2014	Budget Estimates 2015-16	Physical Targets at Budget Estimates	Physical targets at Revised Estimates	Actuals upto February
2450.15	3428.97	2205	5554.60	450	450	545

63. The Table below shows the progress with respect to achievements of gauge conversion targets for the last five years:

[in kms]

Gauge Conversion	2009-10	2010-11	2011-12	2012-13	2013-14
	1516	837	855	605	404

64. On the issue of declining trends of funds' utilization, the Ministry of Railways have elaborated that allocation of funds to various projects is done on year-to-year basis, depending upon the Gross Budgetary Support (GBS) extended by the Ministry of Finance to the Ministry of Railways. Gauge Conversions are not only dependent upon higher Budgetary allocation on continuous basis but the allocation needs to be increased from year to year. As projected funds for future years are not known, works are planned and targets fixed in the beginning of the year based on the budget allocation for the year. Funds allocated in a particular year are partly utilized for projects targeted for the year and major part of the funds are utilized for section project targeted for succeeding years. Reduced allocation since 2011-12 due to near stagnant GBS is a major cause for the continuous declining trend in respect of gauge conversion. Comparison of outlays (GBS) & corresponding length of gauge conversion in recent years is given below:

(Rs. in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Outlay(GBS)/ Expenditure	3232	3337	3580	3232	2821	2700	3103	3328

National Projects	210	263	476	577	902	1000	1564	1602
Balance Outlay for other projects	3022	3074	3104	2705	1919	1700	1539	1726
Total kms. converted	1549	563	1516	837	855	605	404	545 (Feb'15)

65. The Committee pointed out that the potential and success of the ambitious railway projects of Bullet Trains, High Speed and Semi-High Speed Trains are highly dependent on efficient implementation of gauge conversion. The Ministry, while acknowledging this, have stated that they would endeavor to execute all sanctioned Gauge Conversion projects in a time-bound manner. Budgetary allocation for 2015-16 is substantially higher compared to the budgetary allocation in 2014-15. As against revised allocation of Rs. 3,324 crore in 2014-15, the allocation in Budget 2015-16 is Rs. 5,554 crore (*Rs. 3,411 crore from Gross Budgetary Support & Rs. 2,143 crore from Extra Budgetary Resources*). Sanctioned Gauge Conversion of NG/MG line will not be affected by other projects like Bullet Trains, Semi-High Speed Trains, etc.

Doubling

66. In the recent few years, with the liberalization of the economy, there has been an increasing demand for doubling rail transportation along the existing routes. Saturation of existing routes results in slower movement of passenger and freight trains and also makes it difficult to provide adequate number of services to the ever growing demand in passenger and freight traffic. On the High Density Networks (HDNs) and other important routes, 492 of the total of 1219 sections, i.e., 40 per cent are running at 100 per cent or above line capacity. The statistical details are as under:-

Railway	< 80%	80-100%	100-120%	120-150%	> 150%	OTOS*	Total
Central	34	9	11	12	7	1	74
East Coast	16	9	9	16	2	4	56
East Central	16	13	19	22	16	5	91
Eastern	22	22	41	1	--	3	89
North Central	11	3	7	22	2	1	46
North Eastern	12	6	12	6	6	--	42
North Frontier	18	10	4	14	3	11	60

Northern	70	26	29	23	10	4	162
North Western	39	7	6	3	1	4	60
South Central	20	32	23	8	9	--	92
South Eastern	24	13	14	17	1	2	71
South East Central	9	6	9	7	2	--	33
Southern	53	38	25	15	--	--	131
South Western	38	12	--	--	--	1	51
West Central	1	4	7	6	3	--	21
Western	32	18	17	21	4	48	140
Total	415	228	233	193	66	84	1219

Railway	<80%	80-100%	100-120%	120-150%	>150%	Total
Central	12	4	7	12	5	40
East Coast	5	--	6	8	1	20
East Central	1	5	4	3	3	16
Eastern	--	3	7	--	--	10
North Central	--	1	5	19	1	26
North Eastern	1	3	6	1	3	14
North Frontier	--	3	--	5	1	9
Northern	3	4	5	7	2	21
South Central	--	14	2	2	2	20
South Eastern	2	2	6	6	--	16
South East Central	--	--	3	5	1	9
Southern	5	8	4	--	--	17
West Central	1	--	2	2	2	7
Western	--	9	2	9	2	22
Total	30	56	59	79	23	247

67. Providing additional lines by way of doubling the existing routes enable the Railways to cater to this increasing demand in passenger and freight traffic.

(Rs. in crore)

Budget Estimates (2014-15)	3674.81
Revised Estimates (2014-15)	4046.14
Actuals Upto Dec 2014	2313
Physical Output Budget Estimates (2014-15)	450 RKM

Physical Output Revised Estimates (2014-15)	450 RKM
Budget Estimates (2015-16)	18419.61 RKM

68. When asked to explain the slow rate of utilisation of allocations with regard to doubling, the Ministry have emphasised that though the utilization till December 2014 is less than half of the Revised Estimates of 2014-15, but the Railways will be able to utilize the entire amount allocated for doubling. As in most parts of the country, working season starts in the month of October; expenditure booked till December is not a true indicator of utilization of funds. After start of the working season, execution gathers momentum and within a couple of months, utilization of funds gradually picks up.

Doubling (in kms)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
	448	769	750	705	708	421	3801

69. The physical quantifiable targets for doubling for 2015-16 have been set at an aspirational 1200 kms whereas the average progress has been only about 634 in the last 5 years. The Committee enquired about the blueprint for carrying out this tremendous task. The Ministry of Railways have submitted that it is a well known fact that the Indian Railways is suffering from chronic under-investment and have been primarily dependent upon Gross Budgetary Support extended by the Ministry of Finance as the capacity of Indian Railways to generate surplus is constrained. The inability to remove capacity constraint and bottlenecks is affecting the Railways' ability to cater to the growth in both passenger and freight traffic. In order to remove the capacity constraints, doubling/tripling/quadrupling have to be carried out on a massive scale requiring huge investment. Therefore, a conscious effort was made to enhance planned expenditure significantly from Rs. 3,675 crore in 2014-15 to Rs. 18,419 crore in 2015-16 (Rs. 7,113 crore from GBS and Rs 11,306 crore from Extra Budgetary Resources). This was possible due to 30% increase in Gross Budgetary Support extended by the Ministry of Finance. Besides, there is a plan to arrange Extra Budgetary Resources in the form of loan from Pension Funds, Multilateral and Bilateral agencies, other financial institutions, etc. Already, definite progress has been made in this direction; an MoU has been signed with M/s. Life Insurance Corporation of India for a loan of Rs. 1.5 lakh crore in the next five years.

Track Renewal

(Rs. in crore)

Budget Estimates (2014-15)	4800
Revised Estimates (2014-15)	5046.52
Actuals Upto Dec 2014	3044.56
Physical Output Budget Estimates (2014-15)	2100 km
Physical Output Revised Estimates (2014-15)	2200 km
Budget Estimates (2015-16)	6035.00

70. IR's network has 1,14,907 kms of total track length. Of this, 4500 km of track should be renewed annually. However, due to financial constraints, the progress in track renewals is constantly coming down over the last six years. As on 01.07.2014, 5300 km track length is due for renewal. The target for the current year is only 2100 km. Arrears of track renewal are accumulating which will result in disproportionately high maintenance effort. This will also result in reduced reliability of assets.

Track Renewal Accumulated Arrears (Kms) (As on 1 st April)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	7258	6864	5994	5793	5547	5243	5300

71. During the course of the Ministry's evidence before the Committee, the Chairman, Railway Board, has stated that track renewal has been accorded top priority this year and consequently outlay has been significantly enhanced from the Budget Estimates 2014-15. He further informed that –

“Today, track renewals are outstanding to the extent of 5,300 kilometres, which we have to replace on priority because track is the backbone of Indian Railways. In case there is any fracture or weld failure, it will lead to problems. Of course, we detect so many failures and avoid a lot of accidents. So, track renewal has to be given the top most importance. But because of less availability of funds in this Head, we have not been able to renew the track to the extent that we want to do. This year we intend to renew around 2,500 kilometres of track and the balance will be taken up later on. We have also been requesting the Ministry of Finance, one letter is going from our side to the Ministry of Finance requesting for

additional funds for track renewal and for old bridges which are the backbone of Indian Railway system. They had given an one time SRSF in 2001 which went on upto 2008.”

72. It has further been stated that the provision for track renewals in 2015-16 is Rs.6035 crore of which Rs.4555.76 crore are for works in progress and the balance of Rs.1479.24 crore is for new works. The criteria that the Ministry of Railways follow for track renewals are:

- (i) Expected Service Life in terms of Gross Million Tonnes carried.
- (ii) Incidence of rail fractures/failures.
- (iii) Wear on rails.
- (iv) Maintainability of track to prescribed standards.
- (v) Plan-based renewals.

73. Track Renewal is an on-going activity. Track renewal works are sanctioned every year and their execution is prioritized according to the condition of the track and the overall availability of funds, ensuring all the time that the track is in a sound condition for safe running of trains.

74. Keeping in view the huge backlog in track renewals, the Ministry of Railways, in an attempt to wipe out arrears, have stated that it would be possible only by doubling allocation for track renewals. The Chairman, Railway Board, also stated that a Special Railway Safety Fund of Rs.17000 crore, which was especially meant to provide for 'overdue' replacements and renewals, on the lines of the one introduced in 2001-2008, would be highly beneficial in overhauling/replacing over-aged assets.

75. The Table below shows the allocation and utilization of funds along with physical targets set and achieved:-

	2012-13	2013-14	2014-15	2015-16
Budget Estimates	6003 cr.	5500 cr.	4800 cr.	6035 cr.
Revised Estimates	5342 cr.	4658 cr.	5046 cr.	--

Physical Targets [Budget Estimates]	3200 kms	3000 kms	2100 kms	2500 kms
Physical Targets [Revised Estimates]	3000 kms	2100 kms	2200 kms	--
Actuals	3296 kms	2885 kms	2314 kms (upto February 2015)	--

76. To a query on the measures that need to be taken up to reduce the backlog of track renewals, the Ministry of Railways have submitted that track renewal works are sanctioned every year on the basis of the criteria laid down in IRPWM. This is a continuous process. The arrears of track renewal as on 01.07.2014 are 5300 kms. Out of this, track renewal of 2100 km has been targeted for completion during 2014-15. Up to February 2015, progress of 2314 kms has been achieved. The Budget outlay for 2014-15 was Rs. 4800 crore which has been enhanced to Rs. 5046 crore in the Revised Estimates. For 2015-16, fund outlay in PH-31 (Track Renewal) has been increased to Rs. 6035 crore. It is expected that with the increase in outlay in track renewal, the arrears of Track Renewal works will come down. Track renewal works are prioritized according to the need and funds availability, keeping in view safe train operation as the topmost priority.

Rolling Stock

77. The outlay under this head during 2014-15 of Rs. 15322 crore was revised upwards at Revised Estimates stage to Rs. 17376.90 crore, whereas actuals up to December 2014 was to the tune of Rs. 11255.66 crore. The Budget Estimates 2015-16 was increased to Rs. 19342.62 crore. In physical terms, Budget Estimates and Revised Estimates 2014-15 for locomotives were at 625 and 671, respectively; for coaches were 3658 and 3359 respectively; and for wagons, it was 12857 and 10,000, respectively. Actual productions in respect of locomotives, coaches and wagons upto February 2015 were 541, 3249 and 9328, respectively. On the issue of lower utilization, the Ministry of Railways have clarified that utilization upto December 2014 was less because of less allocation at the Budget Estimate stage, resulting in slowing of manufacturing activities. However, the outlay under Rolling Stock head in 2015-16 has been kept at Rs.19342.62 crore. based on the anticipated acquisition of Rolling Stock as given below:-

Type of Rolling Stock	Anticipated Acquisition in 2015-16 (In Nos.)
Locomotives	580
Coaches	3940
Wagons	16800

78. To a specific query as to how the Ministry was gearing up to handle the increased targets, it has been submitted that the outlay for 2015-16 is higher due to production of more nos. of High Horse Power locomotives and LHB coaches and anticipated procurement of 16800 wagons against outstanding orders of 2014-15 and fresh orders to be placed during 2015-16. During the course of examination of the Demands for Grants, the critical issue of replacement of over-aged assets was also discussed with the representatives of the Ministry of Railways.

79. The details of over-aged rolling stock are as under:-

YEAR	WAGON (BG)
As on 31.03.2008	14649
As on 31.03.2009	12596
As on 31.03.2010	11921
As on 31.03.2011	10750
As on 31.03.2012	10256
As on 31.03.2013	10716
As on 31.03.2014	6177

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Main line Coaching Stock	1271	1256	1243	1312	988	1120
EMU	N/A	421	357	357	318	164

80. When enquired about the status of the over-aged assets of the Railways, the Chairman, Railway Board, during evidence before the Committee, informed that –

“I was running with 14,000 over-aged wagons. Over a period of time this figure has come down. As on 1st April, 2014, the over-aged wagon number had come down to 6000. So the number has come down; but it does not mean that the situation is absolutely comfortable. I have to replace the 6000 wagons also. Then, on mainline coaching stock, I have around 40,000 direct passenger vehicles and around 5000 to 6000 other coaching vehicles. I have over-aged

vehicles numbering 1120. On EMU stocks, I have 164 numbers which are over-aged. On loco side, out of 4800 or 4700 electric locomotives, I have 40 numbers of electric locos which are over-aged. On diesel loco, of equal number, around 5,000 diesel locomotives, I have 170 diesel locomotives which are over-aged. All this is to come out of the Depreciation Reserve Fund.”

81. The Chairman, Railway Board, further elaborated that the Ministry of Railways are consistently trying to infuse newer technological innovations to augment and diversify its rolling stock. To achieve this objective, they have introduced/proposed to introduce the following measures:-

(A) Technological Improvements – Diesel Locomotives

Locomotives are being steadily upgraded with various technologies for fuel saving, enhanced maintenance periodicity and improving reliability. Due to paucity of funds, sufficient budget is not allocated for sanctioned works. Moreover, new works proposed are not sanctioned citing the same reason. Many of these items have pay-back period of 1-2 years and are essential for saving fuel and improving availability of diesel locomotives. Various projects for technological improvements in diesel locomotives currently being undertaken are:-

- **Multi-Genset Locomotive:** It has been developed by RDSO and DMW in collaboration with NREC of USA. In a multi-genset locomotive, a single large engine is replaced by three smaller engines. An on-board computer monitors the power requirement and shuts down/starts engines as per load demands, which makes it more fuel-efficient. Two such locomotives have been turned out by DMW/PTA. Trials at Itarsi Diesel Shed have shown saving up to 17% fuel in shunting and passenger operations. Besides fuel saving, there is a reduction of 85%-90% in NOx and particulate emissions compared to uncontrolled locomotive/emissions.
- **Auxiliary Power unit (APU):** In order to save fuel during idling the Indian Railways is providing a system called Auxiliary Power Unit (APU) in Diesel Locomotives. APU is a self-contained unit containing

a small diesel engine coupled to a compressor and alternator for battery charging. It has its own set of controls, accessories and is integrated to the existing microprocessor control system of locomotive. In APU System, the Main Engine shuts down and a small 25 HP Engine starts, and charges batteries and air brakes pipes, when the loco idles for more than 10 min. The diesel engine of APU consumes only 3 litres of diesel per hour in comparison to 25 litres by the main engine. Besides fuel saving, there would be a reduction in lubricating oil consumption and wear and tear of the main engine. The use of APU also results in lower CO₂ emission and other pollutants like HC, NO_x, CO, etc. The expected savings per loco fitted with APU is Rs. 9 lakhs/year on account of saving in fuel oil only. Its cost is about Rs. 10 lakh on new, and Rs. 10-20 lakh on existing locomotives, depending on the scope of modification required for retro-fitment. Payback period is 1-2 years. The Indian Railways plan to fit APU on 100% of new Locomotives.

- **Common Rail Electronic Direct Injection (CReDI):** A first on large diesel engines, IR plans to introduce CReDI gradually on its fleet of locos. CReDI provides accurate metering of fuel, complete combustion, reduction in emission and optimizing power output while reducing fuel consumption. Presently, one system, after being tested at RDSO is now under field trial on SCR. Expected fuel saving is 3-5%.
- **Guidance for Optimised Loco Driving (GOLD):** This is a Global Positioning System based driver guidance system, which assists the loco pilot in optimizing fuel consumption with an eye on the terrain ahead. It advises the loco pilot to lower throttle if there is a down gradient ahead or to throttle up if there is a climb ahead. It also warns the crew of signals, stations, and level crossing gates ahead. Successful trials have been conducted and this system will be proliferated on the locomotives. Fuel saving to the tune of 12 % has been realized during trials.
- **Hotel load on Diesel Locomotives:** Presently end-on generation trains like Rajdhani, Shatabdi and LHB coach trains carry two diesel

generator cars to meet their requirement of hotel load (electrical load of air-conditioning, lighting, fans, pantry car etc.). Provision of hotel load has been made on Diesel Locomotives which will eliminate use of diesel generator cars, thereby replacing one power car by a passenger carrying coach and the other power car would be standby. This will help in fuel saving to the tune of 10-15% of the consumption in power cars.

- **Miller cycle turbocharger:** Miller Cycle turbocharger increases power density of engine without exceeding the thermal and mechanical limits. Miller Cycle turbocharger is designed to provide high boost pressure (> 3.5 bar) and is used with a modified cam shaft to suit Miller Cycle timings. It gives a reduction in fuel consumption of around 2%, NO_x emissions by around 20% and exhaust gas temperature up to 50°C.
- **Alternate fuels:** RDSO has already tested and cleared the diesel locomotives of IR for blending bio diesel to the tune of 5%. Hon'ble MR in his Budget speech on 08.08.2014, had stated that the "Indian Railways will start using Bio Diesel up to 5% of the total fuel consumption in diesel locomotives. This will save precious foreign exchange substantially."
- IR has already started running CNG-based DEMUs on Northern Railway and have a plan to convert a total of 100 DEMUs to run on dual fuel, i.e. CNG and diesel.
- IR is working to develop locomotives which can run on LNG fuel.

(B) Coaches

- (i) **Introduction of LHB AC Double Decker coach with better ride, safety features, modern furnishings and additional amenities:**

For the first time in India, LHB AC Double Decker coaches were introduced to cater to higher transport demand. Passenger capacity

of coaches being manufactured is 120 against 64 in LHB Shatabdi AC Chair Car.

(ii) Introduction of LHB design coach variants for Non AC travelers to extend the inherent design features of higher carrying capacity, higher safety, better comfort and ride quality:

Hitherto, LHB coaches were being utilized for running in premium services such as Rajdhani, Shatabdi and Durgam Cheruvu trains. To extend the benefit of inherent design features of higher carrying capacity, safety, comfort and ride quality of these coaches to Non-AC Class travelers, Non AC design variants of these coaches such as sleeper coach, Second class sitting coach and Chair Cars have been developed and manufactured by Indian Railways' own Production Units.

(iii) Provision of automatic fire and smoke detection System:

Pilot Trials with Automatic Early Fire and Smoke Detection system on one rake of LHB Rajdhani coaches were carried out. Based on observations in the trial, new specifications suiting to IR conditions have been developed. The latest specifications of RDSO also provides for automatic application of brakes in case of fire emergency. Presently 3 rakes (New Delhi-Bhubaneswar Rajdhani Express, New Delhi-Jammu Tawi Rajdhani Express and AC Double Decker rake running between Kacheguda-Tirupati/Guntur) have been provided with this system. Provision of this system has been further sanctioned for 1750 coaches which includes 500 Non-AC coaches also.

(C) Wagons

(i) Autocar Wagon

A new two-deck Autocar wagon (BCACBM) which can

accommodate upto 318 cars per rake has been developed. This wagon has a movable middle deck and a depressed floor so that more cars can be accommodated. This wagon has increased the throughput of car transport per rake by 17% over and above the previous design. The first rake was flagged off on 1.3.14 and at present 5 rakes are in operation.

(ii) New Design of Parcel Van

The Indian Railways have developed a new parcel van design, with high speed Casnub bogies fit for 22.9 Tonne axle load and speed of 100 kmph. The volumetric capacity of these parcel vans shall be 25.6% over the existing ICF design parcel van. The Railway Board has nominated M/s. Texmaco Railcar Leasing Pvt. Ltd. for manufacture of prototype wagon of this new design. After successful testing of prototype, further proliferation will be considered.

(iii) Design of Steel Coils wagons

A new design (BFNSM 22.9T) for carrying steel coils has been developed which has the potential of carrying 68% more rake throughput vis-à-vis existing wagons (BFNS) i.e. 3944 T against 2346 T per rake. This wagon is amenable to loading all sizes of steel coils with better lashing and securing of coils. Railway Board has nominated M/s. Texmaco Railcar Leasing Pvt. Ltd. for manufacture of prototype wagons of this new design. After successful testing of the prototype, further proliferation will be considered.

(D) Locomotives

The codal life of Diesel locomotives is 36 years. Condemnation of over-aged diesel locomotives shall be done on age-cum-condition basis and not simply because they have achieved their codal life. Locomotives permitted beyond codal life are not used for main line running of passenger/freight trains and are utilized

only for shunting purposes after conducting all safety checks duly permitted by the competent authority. As on date, 170 over-aged diesel locomotives have been permitted in inferior services.

(E) Wagons

The codal life of different types of wagons is as follows:

- (a) Open wagon with air brake and Casnub bogies (i.e. BOXN type): 30 years.
- (b) Bogie tank wagons with air brake and Casnub bogies: 40 years.
- (c) All other types of bogie wagons with air brake and Casnub bogies: 35 years.

At the end of January 2015, there were approximately 2.32 lakh broad gauge air brake wagons in the holding of IR. Of this, the percent of over-aged wagons is approximately 0.5%. Replacement of over-aged wagons on age-cum-condition basis is a continuous process. There is no compromise on safety of railways and passengers.

Signalling and Telecom Works

82. Signalling ensures high levels of safety in train operations and is deployed to enhance line capacity. Thrust was given during the year for completion of works of replacement of over-aged signalling assets at stations, Track Circuiting, Block Proving by Axle Counters, Automatic Block Signalling, Train Protection and Warning System (pilot project) and LED signals. Besides, works of Interlocking and provision of Telephone at Level Crossings gates were also given special emphasis.

83. Works undertaken under Telecom include replacement of over-aged assets like old RE cable, overhead alignment and provision of OFC for Control and Data Communication. Replacement works are necessary since old Telecom equipment like RE cable, overhead alignment, etc., have outlived their codal life and are, therefore, required to be replaced, as a safety measure.

Budget Estimates	2014-15	966
Revised Estimates	2014-15	1033
Actuals	Upto December 2014	586.41
Budget Estimates	2015-16	759.2 crore

84. When enquired about the low rates of funds utilization, the Ministry of Railways have enumerated the following:-

- (i) General budget for 2014-15 had been allocated to the Railways in the end of July, 2014 due to election year. Before this, only interim allotment for works was available.
- (ii) 85% restriction for internal funded allocation under DRF and DF has been imposed by Railway Finance. This has reduced the availability of funds from Rs. 966 crore (Capital – Rs. 35 crore, DRF – Rs. 455 crore and DF – Rs. 476 crore) to Rs. 826.35 crore (Capital – Rs. 35 crore, DRF – Rs. 386.75 crore and DF – Rs. 404.6 crore), which was implemented, work-wise, in the Railways.
- (iii) Revised Estimates for 2014-15 had been allocated to the Railways on 02.02.2015 with increased outlay of Rs.1032.6 crore (Capital – Rs. 39.2 crore, DRF – Rs. 526.0 crore and DF – Rs. 467.5 crore) During February, 2015, expenditure position improved to Rs.759.2 crore.

85. Signalling and Telecom, both being dynamic sectors, require constant technological upgradation. To this end, the Ministry of Railways have outlined that modern Signalling Technology of Electronic Interlocking, Digital Axle Counter, LED signals and Train Protection Warning System are being progressively inducted in the Indian Railways. RDSO has also taken up indigenous development of Train Collision Avoidance System (TCAS) as a pilot project. After successful Proof of Concept trials, a pilot project of conducting extended field trials on 250 Kms section of South Central Railway is in progress. This technology is being developed without involving foreign agencies.

86. To a query on the targets that the Railways have set for 2015-16, it has been informed that targets for 2015-16 have not been finalised yet.

Passenger Amenities

87. The Minister of Railways, in his Budget Speech, has stated that one of the four goals that will form part of the transformation of the Railways over the next five years will be the delivery of a sustained and measurable improvement in customer experience. This will systematically address customer concerns about cleanliness, comfort, accessibility, service quality and speed of trains. The major components under this head are as under:

- (i) Raising/extension of platforms.
- (ii) Provision of escalators/lifts at stations.
- (iii) Provision of platform shelter.
- (iv) Construction of Foot Over Bridges/subways at stations.
- (v) Provision of waiting rooms/halls/dormitories/retiring rooms.
- (vi) Provision of potable drinking water, toilets & urinals at stations.
- (vii) Improvement to platform surface.
- (viii) Provision of mechanized laundry.
- (ix) Construction of washable aprons.
- (x) Construction of station approach roads and circulating area.
- (xi) Provision of facilities for physically challenged passengers at Railway stations for better accessibility.
- (xii) Provision of train display board, coach indication board, signages, etc.

88. It is seen that in keeping with the announcement made in the Railway Budget the allocation towards passenger amenities has been substantially enhanced by Rs. 700.59 crore from Rs. 1049.91 crore at RE 2014-15 stage to Rs. 1752.50 crore in BE 2015-16. However, only 50% of the funds have been utilized so far, as is evident from the information given below.

Budget Estimates	2014-15	1038.20
Revised Estimates	2014-15	1049.91
Actuals	Upto January, 2015	594.14
Budget Estimates	2015-16	1752.50

89. To a query on what physical targets are set, the Ministry of Railways have replied that provision/improvement/augmentation of amenities at railway stations is a continuous process and undertaken subject to inter-se priority of works and availability of funds. It has further been elaborated that works of provision of Foot Over Bridges, lifts/escalators, extension/raising platforms, washable aprons on platform lines where trains stop for longer duration during morning hours, provision of platform shelters, improvement to platform surface, provision/augmentation of drinking water taps, toilets, etc. have been done under Plan Head 'Passenger Amenities', during the last three years.

90. The Committee has also been informed that modernization/upgradation of stations under Adarsh Station Scheme had been introduced in the year 2009. Under this scheme, 1052 stations have been selected for development. Out of these, 826 had been developed upto March, 2014. Further, 99 stations have been developed during this financial year upto January, 2015. Thus, 925 stations have been developed so far under the Adarsh Station Scheme. The Table below illustrates the financial allocation and expenditure under Passenger Amenities:

(Rs. in crore)

2011-12		2012-13		2013-14		2014-15	
Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure (upto Jan.'15)
785.28	834.43	862.06	842.14	893.99	857.73	1049.91	594.14

91. The allocation for passenger amenities for 2015-16 has been fixed at Rs. 1752.50 crore. This allocation is mainly to give an added momentum to the spending in the following key areas of passenger amenities:

- (i) To upgrade stations identified for development under Adarsh Station Scheme.
- (ii) Provision of Minimum Essential Amenities, as per norms.
- (iii) Provision of toilets at 650 stations to make good the deficiencies as per norms.
- (iv) Provision of washable aprons at identified platform lines where train stops for longer duration during morning hours.
- (v) Provision/replacement/extension of Foot Over Bridge at identified stations.
- (vi) Setting up of mechanized Laundries, at identified stations.
- (vii) Provision of lifts and escalators at major stations to facilitate easy movement of the elderly and differently-abled passengers.

92. One of the core areas in the Indian Railways wherein there can be a vibrant contribution and involvement of the PPP is in the sphere of passenger amenities. To a query on the initiatives taken by the Ministry in actively engaging this sector in enhancing passenger amenities, the Committee have been informed that it has now been proposed to offer stations for redevelopment on 'as is where is' basis, by inviting open bids from interested parties with their designs and business ideas duly providing for amenities and other requirements of the Railways. However, the process for redevelopment of stations already identified would continue. This is expected to expand the scope of station redevelopment in a major way. It will also encourage innovative ideas from various interested parties, including architects, developers, etc. Station redevelopment projects are not PPP projects as they do not involve payment of user charges. The entire cost of station redevelopment is to be met by leveraging commercial development of land and air space in and around the station.

Operating Ratio

93. The Railway Minister, in his Budget Speech, had announced that the Railways intend to reduce the operating ratio to 88.5 per cent against a targeted 91.8 per cent in 2014-15. In spite of the best efforts of the Railways, the operating ratio is substantially very high. To a query on the factors that are contributing to this high operating ratio the Ministry have stated that generally, higher growth rate in traffic earnings than growth rate in working expenses leads to improvement and a lower Operating Ratio. Working expenses consist of Ordinary Working Expenses and Appropriation (to Depreciation Reserve Fund and Pension Fund) while Traffic Earnings consist of earnings from passenger, goods, other coaching and sundry.

94. When it was pointed out that the best operating ratio in recent years was witnessed in 2007-08 at 75.9% when the traffic earnings grew at 14.9% against 11.0% growth in working expenses, the Ministry of Railways have submitted that with the slowing down of the economy in the subsequent years and the implementation of the 6th Central Pay Commission recommendations, the growth in earnings slowed down, and working expenses, especially staff cost and pension witnessed a steep rise. All these factors led to a deterioration in the operating ratio to 95.3% in 2009-10, the worst in recent years, when the total earnings grew at 9.1% and working expenses grew at 15.4%.

95. The Ministry has further elaborated that efforts were being made to take the Railways on the track of recovery. Targeted operating ratio for 2014-15 (BE) was 92.5% which has improved to 91.8% (RE 2014-15) and has been pegged at 88.5% in BE 2015-16.

96. When enquired about the planning of the Ministry in achieving the target of 88.5%, the Railways have submitted that the traffic earnings are estimated to grow at 15.3% against 11.10% growth in Working expenses. The trends in both the segments would, however, be rigorously monitored during the year at all levels to take remedial measures to obviate any slippage. Specific initiatives to reduce the cost of power for electric traction are being worked out.

97. Given that the operating ratio is an indicator of the health of the Railways, the Railways are also drawing up proposals for improving and sustaining a healthy operating ratio in the long run. It has been submitted that it is a continuing endeavour of the Railways to watch and improve on its operating ratio to the utmost. However, vagaries of certain costs like fuel for traction, Pay Commission, stores and demand side of the economy cannot be accurately assessed. Yet, with thrust on certain capacity improvement works like Dedicated Freight Corridor, doubling/quadrupling and electrification, etc. as proposed in the Budget of 2015-16, it is expected that the traffic throughput would substantially grow to give a boost to traffic earnings vis-à-vis the total working expenses which would help improve the operating ratio to a reasonable level.

Safety

98. Safety is one of the basic requirements of rail travel. The importance attached to safety is clearly evident from the announcement by the Minister of Railways in his Budget Speech where he has enumerated safety as one of the four goals fixed to transform the Indian Railways. In this regard it is pertinent to mention that the highest number of fatalities on the Indian Railways occur at unmanned level crossings. The main thrust of safety is, therefore, on the elimination of level crossings, either by manning or construction of road over bridges and road under bridges.

99. The current allocation and utilization position with regard to level crossings is given as under:-

(Rs. in crore)

Road Safety Works – Level Crossings (Plan Head -29)		
Item	Year	Amount
Budget Estimates (Original Allocation)	2014-15	413.00
Revised Estimate (Revised Allocation)	2014-15	459.75
Actuals (Expenditure)	2014-15 (upto Feb.'2015)	353.86
Budget Estimate (Original Allocation)	2015-16	305.56

100. The reasons for the downward revision of Budget Estimates 2015-16 vis-à-vis Budget Estimates 2014-15 have been furnished by the Ministry wherein it has been stated that Funds for Road Safety Works are allocated by the Ministry of Finance from Central Road Fund out of the cess collected on petrol and diesel. This year, the

allocation by the Ministry of Finance is less than the preceding year, resulting in less budget estimates in the year 2015-16 over the preceding year.

101. The Table below indicates allocation, physical targets and achievements in respect of level crossings during the last three years. Allocations for level crossings are made under the broad plan head of Road safety works.

(Rs. in crore)

Description	2011-12	2012-13	2013-14	2014-15
Revised Allocation (PH-29)	800	650	510	459.75
Expenditure (PH-29)	519	515	513	353.86 (upto Feb.'2015)

102. Given below is the achievement in terms of physical targets in respect of level crossings (LCs) during the last three years and in the current year:

Item	Targets				Achievements			
	2011-12	2012-13	2013-14	2014-15	2011-12	2012-13	2013-14	2014-15 (upto Feb.'15)
(i) Elimination of Unmanned LCs by manning	2045	1066	300	300	777	463	325	365
(ii) Elimination of Unmanned LCs by closure/ merger/ subways	450	669	750	430	481	700	777	675
Total elimination of unmannd LCs	2495	1735	1050	730	1258	1163	1102	1040
Closure of Manned LCs	244	293	326	160	225	257	301	276

103. As regards the physical targets set for 2015-16, the Ministry have stated that they will attempt to eliminate 600 Unmanned Level Crossings and 150 Manned Level Crossings.

Road Over Bridge/Road Under Bridge

104. The allocation of funds for ROB/RUBs is as under:

Road Safety Works - ROB/RUB		
Budget Estimates	2014-15	2287.00
Revised Estimates	2014-15	2017.25
Actuals	Upto December 2014	1083.00
Budget Estimates	2015-16	1340.45

105. Since utilization of funds in respect of building of ROBs/RUBs are highly unsatisfactory, the Ministry of Railways were asked to enumerate the major constraints that were encountered in building ROBs/RUBs. The Committee have been apprised that in general, the Railways undertake construction of ROB in the Railway portion, whereas approaches are being constructed by State Govt. Smooth progress of ROBs/RUBs mainly depends on positive cooperation from the State Govt. Most of the times, progress of ROBs/RUBs is hampered due to:

- late sanction of corresponding work in the State Budget.
- inadequate fund allocation by the State Govt.
- non-submission of GAD & estimate by the State Govt.
- frequent changes in alignment of approaches.
- late finalisation of tender for the work of approaches.
- non-availability of encumbrance-free land for construction of approaches.
- not providing undertaking to maintain road and drainage in future for RUBs.
- delay in providing consent of closure of level crossings.

106. The Railways have taken proactive measures in close coordination with various stake holders to improve the progress of construction of ROBs/RUBs as under:

- engaging single agency for construction of Railway Bridge as well as the approaches.
- joint survey with all concerned, including State Government, to finalise the tentative GAD.
- circulation of check list and guidelines for preparation of GAD to State Govt. to avoid any back reference from Railway to State Government.
- standardization of drawings for various spans to avoid delay in designing.

- nomination of nodal officer for single window clearance of GAD from Railway side
- use of pre-cast /pre-fabricated components of the bridge.

107. Resources are also one of the major constraints in the construction of ROBs/RUBs. In order to ensure timely completion of already sanctioned works of ROBs and RUBs which has a huge throw forward of Rs.25,000 crore, the Ministry of Railways have taken the following measures:

- signed a Memorandum of Understanding (MOU) with the Ministry of Road Transport and Highways to eliminate all level crossings on National Highway Corridors, bringing clarity on roles and responsibilities of both the Ministries.
- commissioned a web-based application with user-friendly features for online submission and approval of various plans and drawings related to ROBs/RUBs of NHAI/State Govt./Other agencies within 60 days.
- solicited the Ministry of Rural Development to include the work of elimination of unmanned level crossings by ROBs/RUBs/other measures in their illustrative list of works under MNREGA and PMGSY schemes.
- has approached the Ministry of Finance in Feb 2013 and recently in Feb 2015 for enhanced allotment of funds to the tune of Rs.39,809 crore over five years by suitably amending the Central Road Fund Act.

108. For 2015-16, the Railways have set a target for construction of 130 Road Over Bridges (ROBs) and 520 Road Under Bridges (RUBs). The Railways have come out with the Kakodkar Committee Recommendations in 2012, which dealt widely with the issues of railway safety. This Committee also called for huge investments to be made in rail infrastructure. On the status of the implementation of the recommendations, the Ministry have stated that they have completed deliberation on all the 106 recommendations made by the Kakodkar Committee. The

recommendations found acceptable/partially acceptable will be initiated for implementation as per the availability of resources and funds.

109. Further, the Ministry of Railways have informed that the implementation of the Kakodkar Committee recommendations would involve a funding pattern out of multiple allocations, namely Capital (GBS), Railway Safety Fund (funded out of 'diesel cess' allocated by MoF) and Railway Funds like Development Fund and Depreciation Reserve Fund. The items required are multifarious, involving investments on signaling systems, level crossings, LHB coaches, bio-toilets/vacuum toilets, weigh bridges, IT applications, communication systems, track machines, welding plants, formation improvements, training simulators, Research and design, etc.

110. Resource mobilization would involve funds under the appropriate source and plan-heads under Demand No. 16. This depends on funds allocated by the MoF under Capital (GBS) and 'diesel cess'. Items like rolling stock may also be augmented under EBR (Extra Budgetary Resources) market borrowings through IRFC (Indian Railway Finance Corporation). Allocations under DRF and DF would depend on the resource position of the Railways which is dependent on the Gross Traffic Receipts and the 'Excess/shortfall' after meeting the dividend liability. The Ministry of Railways always endeavour to capture more and more traffic, rationalize its fares and tariff in passenger and goods segment as well as target higher revenues from Other Coaching and Sundry earnings. MoF has been approached for higher allocations under GBS, including 'diesel cess'. MoF is also being approached for creation of SRSF-II (Special Railway Safety Fund II) on the lines of the previous non-lapsable SRSF that was operated between 01.04.2001 and 31.03.2008 and was funded out of the special corpus from MoF. SRSF-II would be used, inter-alia, for critical safety items including track, bridges and signaling systems finding a mention in the Kakodkar Committee Report.

Social service obligation

111. The Railways also bear social service obligation of around Rs. 25,000 crore every year by carrying passenger and goods services below the cost. Reimbursement of this cost has been considered by the Government and a Committee of Secretaries had recommended that these be reimbursed to the Railways but the same still remains unresolved. The Net Social Service Obligation borne by the Indian Railways in 2013-

14 is assessed at Rs. 21,391 crore. This cost impinges upon the viability of the Indian Railway system. The main elements of Social Service Obligation of the Indian Railways are losses relating to the following:-

- (a) Essential commodities carried below cost essential commodities of mass consumption like fruits and vegetables, organic manures, paper, charcoal, bamboos, etc. are carried below cost of operation in order to contain their market prices.
- (b) Passenger and other coaching services including concessions, low tariff, particularly in the second class, contribute to the losses.
- (c) Operation of uneconomic branch lines: Despite concerted efforts to enhance earnings on branch lines, most of these lines remain commercially unviable. The Railway Reforms Committee recommended closure of 40 such lines but due to stiff public resistance and opposition by the State Governments towards withdrawal of such services, only 15 lines have been closed permanently by the Railways. A review of the financial results of the existing 88 uneconomic branch lines for the year 2011-12 shows that, on an original investment on these lines of the order of Rs.1,719 crore, loss during the year 2011-12 amounted to Rs.1,366 crore.
- (d) New lines opened for traffic during the last 15 years.

112. The Ministry of Railways also informed that there has been a historical legacy and nothing much can be done to offset the Social Service Obligation. Nevertheless, towards minimizing these losses, some of the steps taken are:

- rationalisation of classification of low rated commodities from LR4 to LR3;
- introduction of Fuel Adjustment Component (FAC) in fares, including in sub-urban services and fare hikes on 21.01.2013, 07.10.2013 and on 25.06.2014;
- Introduction of premium trains with dynamic pricing
- regulating length and frequency of trains in uneconomic sections as per demand;
- better rake utilisation in sub-urban services;

- providing seamless inter-modal access for urban mobility; and
- provision of state-of-the-art EMUs in Mumbai and conversion of traction from 1500 Volts DC to 25 KV AC in Mumbai sub-urban system to reduce cost of operations;

113. To a query on whether the Railways intend to approach the Government for reimbursement/sharing of part of the unprofitable expenses, the Ministry have informed that they are all along raising this vital issue with the Ministry of Finance. Most recently, the Minister of Railways has written to the Minister of Finance to consider reimbursing operating loss on national projects and projects of national importance.

Dedicated Freight Corridor (DFC)

114. The Eastern Dedicated Freight Corridor (EDFC) and the Western Dedicated Freight Corridor (WDFC) have been sanctioned and are under implementation. The Western Dedicated Freight Corridor starts from JNPT Mumbai and passes through the States of Maharashtra, Gujarat, Rajasthan and Haryana and terminate at Dadri in Uttar Pradesh. Total length is about 1500 kms. The Eastern Dedicated Freight Corridor starts from Sahnewal near Ludhiana in Punjab and passes through the States of Haryana, Uttar Pradesh, Bihar and Jharkhand and terminates at Dankuni in West Bengal. Total length is about 1856 kms. Alignment for both WDFC and EDFC have been finalized and are targeted to be completed by December 2019. As regards land acquisition, award of 20 F (Compensation Award) under the Railways Amendment Act 2008 for 80% of land has been completed. Further, civil contracts of about 1100 kms and system contract of 945 kms have been finalized. Civil construction work in the Khurja-Kanpur Section (343 kms) of Eastern DFC is in progress and approximately 33% work has been completed. Work is also progressing in the Mughalsarai-Sonnagar of EDFC as well as Durgawati-Sasaram Section. A 55 km portion of Mughalsarai-Sonnagar Section is targeted for completion in 2015. On the Western DFC, work is progressing in the Rewari-Palanpur Section and about 16% work has been completed and out of 54 major bridges in the Vaitarana-Bharuch Section, 26 have been completed.

PART – II

RECOMMENDATIONS/OBSERVATIONS

Demands for Grants 2015-16 – An Overview

1. The Committee undertook a detailed scrutiny of the Demands for Grants of the Ministry of Railways, 2015-16. During the Presentation made by the representatives of the Ministry and during interactions with them in the Committee meetings, a large number of issues which impinges on the functioning of the Indian Railways came to the fore. The written replies provided to the Committee by the Ministry also brought into sharper focus the content and contours, besides the extent, of these issues. The Committee deliberated on these matters extensively, in the context of the Demands for Grants, 2015-16 and the White Paper on the Indian Railways presented to the Parliament.

The Committee noted that the Indian Railways have been an integral part of the Indian life for over one and a half centuries. The Railways has an enormous social responsibility on its shoulders, and a national obligation as well, to inter-link this country through its network, offer affordable transport to millions of passengers on a day-to-day basis, and contribute – directly and indirectly – to the nation's GDP through movement of goods. The Indian Railway is undoubtedly a solid organization, right from the gang man to the highest in the hierarchy, with institutionalized experience to run its labyrinthine network. However, the Committee note with serious concern that there is a deep-rooted malaise that has afflicted the Indian Railways over the decades, the origin of which can be traced to travails of resource crunch. First and foremost, the Committee strongly feel that the Indian Railways should have a clear and unambiguous perception of their role, and their obligations, to the nation: are they a 'commercial entity' – as they state – with a profit motive, or are they an organization with a societal obligation to the billion plus people of this country who use this facility every day?

If profit motive is the sole criterion, then the Indian Railways have failed themselves, besides failing this country which prides itself as a welfare state. If,

however, they aspire to be an organization with a social obligation, then too they have not succeeded to the extent that they should have, especially in the post-Independence years. The Committee understand, and even appreciate, that there are many historical and other factors responsible for their predicament; nonetheless, the Committee are convinced that what is urgently required is perspective planning and proactive leadership, which can facilitate sufficient external resources, generate adequate internal resources, provide quality services, enable last-mile connectivity, contribute to the national economy, and most of all keep the huge workforce motivated to deliver their best. In short, the Committee will like to stress that the key to the success of the Indian Railways lies in the prudent management of their resources – financial, physical and personnel.

During evidence tendered by the representatives of the Ministry of Railways, the Committee took serious note of various dimensions of the resource crunch faced by the Railway administration, and the resultant debilitating impact it had – and still has in a larger measure – on the Railway system as a whole. Since the Committee are examining the Demands for Grants of the Railways, 2015-16, some of these issues that have a special bearing on the Railway functioning *vis-a-vis* the acute fund shortage need recapitulation:

- The Railways have the unenviable task of generating enough operating cash surplus after payment of dividend and principal component of the leasing charges to the IRFC, to run as a 'going concern' on a continuing basis. This becomes all the more difficult when the Railways have to make adequate provision, based on actual requirements, for depreciation and appreciation to the Development Fund for traffic facility works. The Railways have admitted that they need to generate internal resources to cater to four critical requirements, *viz.* depreciation, development, debt servicing and dividend payment to the General Exchequer.
- Another problem area is liquidation of arrears of over-aged assets through SRSF, affecting replacements and renewals, which also seriously affect safety on the Railway system.

- **Figures for track renewals and procurement of electric locos, wagons and coaches, including DEMU and MEMU, have shown a downward trend.**
- **A steep fall in appropriation for Development Fund has compelled the Railways not to take up even those traffic facility works that are absolutely critical for the smooth and uninterrupted flow of traffic on the high density network. This drastic fall in appropriation for Development Fund has also resulted in fall in throughput and the system's productivity.**
- **The Railways have submitted that there is an expected drop of 3.6% in PKMs during FY 2014-15, as compared to FY 2013-14. There is also a negative growth of 2.15% in the number of passengers booked in FY 2014-15 compared to 2013-14 for the period April-February. Further, in the last two decades, the passenger growth recorded a negative growth in the year 2002-03 over 2001-02, and during 2013-14 over the previous year.**
- **The fall in system's productivity, coupled with rise in the prices of input cost, has resulted in increase of unit cost at current prices at 15% over the last two years.**
- **As per approximate accounts to the end of February 2015, traffic earnings are short of the proportionate Budget target based on RE in Passenger, Other Earnings and under Goods.**
- **POL NKTm, which has been at a secular decline, has fallen by nearly 8% in 2014-15 over the previous year.**
- **The Railways are faced with the gargantuan challenge to generate enough incremental free cash flow for servicing market borrowings of over Rs.30,000 crore on a long-term durable basis.**
- **The Railways have admitted that while private commitments for rail projects under the Annual Plan may reach Rs. 5500 crore, the actual fund flow in that year may not match the commitments as the time frame of**

bidding process and implementation will vary from project to project, ranging from 3 to 5 years.

- Even when private involvement was there, the results have not been very encouraging.**
- The revenue from premium trains is not often commensurate with the investment. On the other hand, investment for facilities in non-premium trains leaves much to be desired, which is very visible in the condition of the non-premium trains.**
- Goods traffic, and loading across goods, has not shown the desired progress.**
- The system of setting targets in different segments of the Indian Railways needs an urgent relook and review. The projections are unrealistic and actual are most often much below the targets set.**
- Much has been made out of the fact that no new trains have been announced in the Budget Speech of 2015-16. The larger question that goes abegging is: what happens to those citizens eking out a living in far-flung, remote, undeveloped, tribal or hilly areas who have been waiting for decades to see a rail link to their distant homes and hearths? Their disappointment and disenchantment with the system could lead to a sense of alienation from the national mainstream and may possibly give rise to a frustration with the establishment as a whole, and even extremist tendencies.**
- It is of the greatest concern that even Rail projects linked to the defence sector have been inordinately delayed for various reasons, including resource crunch. This is most alarming, considering that it affects the country's security and defence preparedness. This is also in stark contrast to the concerted efforts of some of the neighboring countries that are building state of-the-art Railway networks right next to India's borders, that too in highly inhospitable terrains.**

The above, *inter alia*, are some of the major issues that the Committee have flagged in the wake of the detailed scrutiny of the Demands for Grants of the Indian Railways, 2015-16. After deliberating on these concerns in detail, the Committee want to stress that there is an urgent imperative of a National Policy of the Indian Railways, which should be the guiding force for the Railway network, irrespective of the Government in power. It is stating the obvious that the Railways need huge investments to tide over the many difficulties that they are confronted with and the dire financial straits they are in, today. The Indian Railways are inevitably a catalyst for growth of the nation's economy that can contribute substantially to the GDP. The moot point that the Ministry of Railways need to address is whether its planning should be resource-based, or need-based. Equally importantly, the Railways have to reinvent themselves as vehicle of social engineering and sustainable development, and as an organization with a social responsibility – and especially with its tremendous connectivity network – and not merely as a commercial entity with a profit motive. The success of the Indian Railway system will lie in how best they can judiciously do both, to take it to newer heights, a Railway system that will provide last-mile connectivity with adequate facilities for the passengers, a worthy contributor to the national economy and an organization that can be emulated by their counterparts across the world.

In the light of the above, the Committee will now delve into some of the specific components of the Demands for Grants of the Ministry of Railways, 2015-16.

Budgetary Planning

2. The Railways are rightly described as a national integrator and considered to be the lifeline of the national economy. It is the most availed means of connectivity among the people, interlinking the length and breadth of the country. In order to transform the Railways into an effective, efficient and transparent vehicle for development as well as for meeting the ever increasing demands of the economy, innovative ideas have to be conceived and implemented as a matter of topmost priority. What is needed is a distinctive vision of the

Indian Railways and its very significant role in buoying up the nation's economy. It has to function as a catalyst of growth for the economy, for which the Railways need a huge investment. In this context, the Committee note that the Annual Plan of the Ministry of Railways for the year 2015-16 has been budgeted at Rs. 1,00,011 crore which is an increase of 52% as compared to RE 2014-15. There is 37 percent increase in capital (budgetary support) and an increase of 8 percent in Internal Resources. The Committee also note that there is a large shelf of pending projects which is estimated at Rs. 4,91,510 crore. As submitted to the Committee by the Ministry, due to funds constraints, allocation to all plan heads are not as per requirement. The Committee are disappointed to note that the allocation of funds for the fiscal year 2015-16 is not adequate for effectively enforcing the ambitious investment plan of the Railways as well as expeditious completion of pending projects. As such, the Committee strongly recommend that the NITI (National Institution for Transforming India) Aayog/Ministry of Finance should consider a higher and realistic allocation for the Ministry. so as to effectively meet their objective of transforming the Railways into an efficient vehicle for development as well as for meeting the increasing demands of the economy.

Investment Plan 2015-19

3. The Committee note that the Railways, in a bid to shake off the inertia of under investment, have formulated a forward looking and a highly ambitious investment plan for 2015-2019. An investment of Rs. 8.5 lakh crore has been envisaged for these five years. While admitting that the resource crunch had severely eroded the financial credibility of the Railways, the Ministry has placed utmost reliance on this fund's injection. The Plan size of Rs 8.5 lakh crore would be funded through a mix of internal generation by the Railways, Budgetary Support from the Government and through Extra Budgetary Resources, including market borrowings. The Committee have also been informed that while the funding for the bulk of the investment plan, i.e. to the tune of Rs. 2.5-3 lakh crore would be provided by the Government, the Railways expects to generate Rs. 1 lakh crore as internal resources. Besides, the Life Insurance Corporation of India have committed an investment of Rs. 1.5 lakh crore to the Railways for the next five years. The Railways also expect to generate Rs. 1 lakh crore through

private public partnerships. The Committee find that out of the total Rs. 8.5 lakh crore, the Railways propose to utilize around Rs. 3.99 lakh crore on network expansion and network decongestion. The Committee are of the considered view that the proposed five-year investment plan should serve as a stimulus package to assist in the turnaround of the Railways' financial resources. The Committee, therefore, desire that availability of funds should be matched by strict financial discipline on the part of the Railways to ensure effective utilisation of resources, coupled with achievement of the physical targets in the stipulated timeframe with no cost escalations or delays. Accordingly, the Committee recommend that a National Policy on Indian Railways should be formulated, wherein, inter alia, a detailed road map is drawn up to sort out the bottlenecks. The Committee would await specific action taken by the Government in the matter.

Bankability of Projects

4. The Committee find that the Railways are endeavoring to secure funding from infrastructure funding agencies, multilateral and bilateral agencies, institutional investors, etc. The Committee also note that funding from the World Bank and the Japanese Bank for International Cooperation (JICA) has already been tied up for the Eastern and Western Corridors for the Dedicated Freight Corridor (DFC). However, the Committee are not certain as to whether the bankability of projects have been meticulously worked out by the Railways. In this connection, the Committee wish to remind the Ministry that borrowings from these agencies have financial liabilities attached to them in the form of payment of heavy interest and return of principal amount. The Committee, therefore, would like to caution the Railways not to get into a debt-trap. The Committee feel that implementing a model of financing without going into the minute details of bankability of projects could be a sure recipe for disaster. The Committee, therefore, recommend that the Railways should not only undertake a pragmatic study on bankability of projects but also utilize this high-cost and risk-infested market borrowings in those sectors that can offer assured returns.

Implementation of the recommendations of Expert Committees

5. The Committee note that in the recent past, various Expert Committees have been constituted by the Ministry of Railways to study different aspects of the functioning of the Indian Railways. For example, the Kakodkar Committee was constituted to review safety of railways system; the Mittal Committee was formed to suggest ways and means to raise the revenue of the Indian Railways; the Sreedharan Committee was constituted to review the delegation of commercial powers for railway projects for lower levels of bureaucracy; and the Sam Pitroda Committee looked into the ways and means to modernize the railway system. Similarly, the Bibek Debroy Committee was set up to study and report the limited role of Railway Board, revamping of HR functions and switch over to commercial accounting. The Committee find that notwithstanding the fact that some of these Committees submitted their Report in the year 2012, their recommendations are still under examination by the Ministry and no decision has been taken on their implementation. The Committee note with concern that public money which has gone into the setting up and working of the Committees lies squandered when their recommendations are not implemented. That being so, the Committee are constrained to point out that if the Committees' recommendations are not implemented in the right earnest, there appears no justification to constitute such Committees. This sort of inaction becomes all the more serious when the much acclaimed Investment Plan of Indian Railways is in a take-off stage and the Government of India have been claiming to transform the Indian Railways on the lines of the Chinese, Japanese and French Railways. Considering the lackadaisical approach of the Ministry of Railways, the Committee strongly recommend that a time-schedule may be prescribed by them to implement the recommendations of these Expert Committees. The progress made in this regard should be closed monitored regularly and scientifically at the highest level in the Ministry.

Annual Plan 2015-16

6. The Committee's examination has revealed that the Annual Plan outlay for the year 2015-16 was to the tune of Rs. 1,00,011 crore which would be broadly financed through Gross Budgetary Support of Rs.40,000 crore; Diesel Cess of

Rs. 1645.60 crore; market borrowing under Extra Budgetary Support of Rs. 17655 crore; and internal resources of Rs. 17,793 crore. Further, the Railways' share of diesel cess from the Central Road Fund and funding through PPP would be to the tune of Rs. 5781 crore. The Committee are dismayed to find that over the years, there has been a sharp decline in the generation of internal resources by the Railways which has resulted in greater dependence on Budgetary Support and on market borrowings which do not help in the long term. The reasons for poor generation of internal resources has been primarily attributed to the Pension Fund, dividend paid by the Railways to the General Revenues and the implementation of the recommendations of the Sixth Central Pay Commission. The Committee are not convinced with the oft-repeated reason attributed to the implementation of the recommendations of the Sixth Central Pay Commission for the adverse financial health of the Railways. This reason has become all the more worrisome when the recommendations of the Seventh Pay Commission will be implemented very soon. Nonetheless, the Committee examined the aspect of payment of Dividend by the Railways to the General Revenues and the budgetary support given by the Government to the Railways and found this arrangement as contradictory and counter-productive. On the one hand, the Railways are made to pay the dividend and on the other hand, the Government provide budgetary support to the Railways. The Committee, therefore, strongly recommend that a two-pronged strategy should be adopted by the Government, i.e. they should ensure strict financial discipline and practice prudent ways to cut the unproductive expenditure and at the same time, the practice of paying dividend to the General Revenues by the Railways be kept in abeyance till the financial health of the Indian Railways is improved and the proposed investment plan is implemented in its entirety. The Railways also could look at commercialization of stations including branding of stations, to generate additional revenue.

Performance during 2014-15

7. The Annual Plan of 2014-15 was revised to Rs. 65,798 crore from BE of Rs. 65,445 crore, which shows an increase of Rs. 353 crore. The Committee find that the ordinary working expenses in the BE 2014-15 has been scaled down by Rs. 2078 crore or almost by 1.40 per cent in RE stage. Though plan outlays for

major heads like New Lines, Gauge Conversion, Doubling, Signalling & Telecom Works and Electrification Projects have been increased, the physical targets of the New Lines, Gauge Conversion and Doubling have shown a downward trend or remained unchanged. The examination of the Committee further revealed that despite availability of Capital Support from the General Exchequer, the Railways have not been able to manage their developmental Plan 2014-15 which is an indication that there are some inherent deficiencies in the overall delivery mechanism. As a matter of fact, despite availability of resources for the developmental needs, the Railways have not been able to showcase any laudable achievements. The Committee are of the view that the Railways should manage their resources and delivery mechanism in a more professional manner rather than the traditional bureaucratic model. However, Committee are glad to note that appropriation to the Development Fund has seen a commendable increase of nearly Rs. 1005.62 crore. The Committee have been informed that replacement and renewals of assets are provided for under the Depreciation Reserve Fund and for meeting the requirements under track renewals, bridges, signal & telecommunication, plants, equipment and machinery, etc. The Committee also find that the Railways have set a target of Rs. 14,266 crore to be generated as a surplus in the year 2015-16. While expecting that the projections made would be concretized in 2015-16, the Committee have genuine apprehensions on their achievability. The Committee, therefore, recommend that the Railways should pragmatically re-design their working model with a view to generating higher revenues so that it may accrue increased allocations under the Development Fund to nurture the developmental agenda of the Railways.

Gross Traffic Receipts

8. The Committee find that there has been a downward revision of the Budget allocation for 2014-15 to the tune of Rs. 917 crore. It has also been observed that against the BE target of Gross Traffic Receipts of Rs. 1,60,165 crore and RE allocation of Rs. 1,59,248 crore during 2014-15, the actual Gross Traffic Receipts were Rs. 1,40,250.98 crore (*upto February, 2015*). The Committee also find that though the actuals of the GTR for 2014-15 are not yet compiled by the Railways, a close examination of the approximate traffic earnings of Rs. 1,40,250.98 crore (*upto the end of February, 2015*) indicates that it is short of

the proportionate budget target (based on RE) by around 1.4 percent or by Rs. 2303 crore. According to the Ministry of Railways, the downward shift in Gross Traffic Receipts is primarily on account of the downward revision of earnings target under passenger, other coaching and sundry earnings. The Committee are perturbed to note the tendency of the Ministry of Railways to give stereotyped reasons for this regressive trend. The Committee, again, are seriously apprehensive as to whether the ambitious target of Rs. 1,83,578 crore on account of Gross Traffic Receipts for the year 2015-16 would be achieved or not. The Committee, therefore, recommend the Railways to take effective steps, viz., increasing the seating capacity by attaching additional coaches, reduction in wagon turnaround time, rationalization of freight structure and goods tariff, etc. to achieve the targets in respect of Gross Traffic Receipts. The Committee may be apprised of action taken in this regard.

Passenger Traffic

9. The Committee observe that the passenger earnings which were budgeted at Rs. 44,645 crore during 2014-15 were revised downwards to Rs. 43,002 crore. However, the actuals (*upto the end of February 2015*) were Rs. 38,008 crore only. The Committee find that besides poor funds utilization, the Railways have also suffered a negative growth of around 2.12% in originating passengers during 2014-15. This had prompted the scaling down of originating passengers from a BE figure of 8645 million to 8350 million at RE. The reasons quoted by the Railways for the negative growth in passenger traffic are broadly the norms/regulations in the issue of concessional tickets, closure of certain sections in the North Eastern Railway, shortage of ticket checking staff, etc. The Committee are not convinced with these reasons given by the Railways. The Committee, therefore, impress upon the Railways to realistically examine the reasons for the dissatisfaction of the passengers with the services made available to them, including issues like unsatisfactory on-board services, catering, punctuality, hygiene, etc. The Committee further desire that the Railways should make concerted efforts to increase the passenger earnings as it will help the Railways to augment the generation of internal resources. The Committee also recommend that the Railways should improve the last mile connectivity to attract short and medium distance passengers which may lead to increased passenger earnings.

Freight Traffic

10. The Committee note that 65 percent of the revenue of the Railways comes from freight earnings. The Committee further note that the Revised Estimates of 2014-15 for freight earnings and freight loading were Rs. 1,06,927 crore and 1101.25 million tonnes, respectively, whereas the actuals show a downward trend of Rs. 94,986.05 crore and 993 million tonnes, respectively. The Committee are, therefore, apprehensive that the increasing freight cost in the Railways will have a cascading effect on the earnings and will also nullify the efforts of the Railways to expand their freight carrying capacity. The Committee, therefore, recommend that with a view to attracting the enhanced freight traffic volumes, the Railways should operate their existing capacity in a refined market-driven mode in a commercially-viable manner. The Railways should also accord the highest priority to the Dedicated Freight Corridor Project so that on its completion, the carrying capacity of the Railways as well as earnings could be progressively increased.

The Committee note that the tariff policy of the Indian Railways has traditionally followed the principle of cross subsidization in order to offset the losses incurred in passenger and other coaching services through additional revenue from freight movement. The Committee feel that both passenger fares and freight rates have to be demand-cum-market driven and fixed differently for different segments. The Committee, therefore, recommend that pricing should be fixed so as to yield a net return that corresponds to the scarcity value of the capital in the economy.

New Lines, Gauge Conversion and Doubling

11. The Committee are of the firm opinion that that New Lines, Gauge Conversion, Doubling and Track Renewals are long-term assets and a major revenue multiplier. The Committee note that under-investment and a staggered approach in these areas have impacted the network expansion and modernisation and the Railways are caught in the perennial problem of resource crunch. The

Committee are disheartened to note that the expenditure on these counts has not been in tandem with the requirements and has severely depleted in the last few years. The Committee express their serious concern on the fact that the throw-forward for New Lines and Gauge Conversion is Rs. 1,21,907 crore and Rs. 1,90,20 crore, respectively, whereas for doubling, it is Rs. 34,789 crore. In fact, while taken together, it is almost 75 percent of the total cost of the pending priority projects. The Committee are extremely alarmed at this and wonder if the Railways will ever be able to wipe out these mammoth arrears. The Committee, therefore, strongly recommend that if the Railways wish to stay relevant in the present-day market-driven economy, they have to drastically improve their working and delivery system by way of re-fashioning their approach: projects which are near the completion stage, projects which are operationally viable, and projects which are traffic capacity generators should be given precedence over others.

Track Renewal

12. Track renewal is central to the Railways operations. To their utter distress, the Committee find that the progress on track renewal has reached an alarming level, due to inadequate allocation of funds and inability to wipe out arrears which has resulted in a backlog of 5300 kms. The Committee are extremely concerned about the sluggish progress and feel that not only will this backlog has resulted in a disproportionately high maintenance efforts but will also result in reduced reliability of assets, which could lead to safety failures. The Committee, therefore, recommend that the Ministry of Railways should take urgent remedial measures to contain this potentially dangerous situation and accord highest priority to this sector. Further, they advise that the pace of track renewal must be accelerated with utmost promptness to complete the backlog of those tracks which need urgent renewal and are operationally important.

Rolling Stock

13. The Committee observe that the outlay under rolling stock during the fiscal year 2014-15 was Rs. 15,322 crore which was subsequently revised upwards to Rs. 17,376.90 crore and, later on, the actuals were significantly lowered to

Rs.11,255.66 crore. The Committee have been informed that there is an overall shortfall in the acquisition of wagons, coaches and locomotives during the fiscal year 2014-15. There has also been a serious issue of replacement of overaged assets. As of now, there are 6177 and 1120 overaged wagons and coaches, respectively. Similarly, there are 170 and 40 overaged diesel and electric locomotives, respectively. While giving reasons for the slow pace of replacement of rolling stock, the Ministry of Railways have informed that it was primarily due to the slowing down of the manufacturing activities. The Committee are extremely disappointed to note that even when the Railways are fully conscious of the overaged rolling stock and the consequences of continuing their operations on such obsolete stock, thereby posing a serious threat to life and property, not much effort has been made to tide over this situation. Merely stating that the Railways could not replace the overaged rolling stock because the manufacturing activities had slowed down is an unacceptable reason, considering the very serious nature of its consequences. The Committee are left wondering that if the Railways do not realize the hazards of running their operations on obsolete stock and do not formulate a quick solution to this precarious problem, how they can ensure safety and security on the Railway network. The Committee, therefore strongly recommend that the Railways should give top-most priority to the replacement of overaged rolling stock for which a structured policy needs to be formulated and implemented at the earliest. At the same time, the production capacity of rolling stock should be enhanced so that replacement of overaged rolling stock with the new ones is done in a systematic and methodical manner. The Committee also wish to urge the Government to consider immediately withdrawing those overaged rolling stock which are suspect technologically. The Committee would like to be kept informed of progress made in this regard.

Passengers Amenities

14. The Railways are mandated to provide for basic facilities like safe drinking water, clean toilets, proper lighting, etc. at the stations as well as in the trains, besides maintaining an acceptable level of cleanliness. Further, the general infrastructure of the stations like lifts, escalators, waiting rooms, etc. are some of the basic services which constitute passengers amenities. The Committee have, however, observed that in spite of various initiatives taken by the Railways,

passengers amenities are far from satisfactory, both in the trains and at the stations. The Committee are surprised that even when the entire country is committed to the *Swachh Bharat Abhiyan*, the level of amenities provided by the Railways is still co-related with passenger traffic at stations and annual earnings. It is high time that the Railways acknowledged that passenger amenities and its maintenance cannot be limited on the basis of a classification based on the annual earnings of the Railways. The Committee strongly recommend that the provision/maintenance/augmentation of amenities, including drinking water, toilet facility and seating arrangements at railway stations should be undertaken by the Railways on a uniform pattern. With a view to improving the standard of cleanliness and standard of passenger amenities, the Committee recommend that Railways should re-visit their station-category-based passenger amenities' approach and implement a multi-pronged strategy by synergizing technology, user awareness, provision of mechanized equipment as well as penalty provisions. The Railways should also pay special attention to the facilities that are being offered on long distance trains. Further, the Committee urge the Railways to lay stress on special arrangements that should be made for the benefit of differently abled passengers as also senior citizens, which should be prominently displayed. In particular, Railways may introduce Railway Time-Tables in Braille for the benefit of the visually challenged. The Committee would like to be apprised of a definite roadmap, including targeted dates for implementation of the action plan in this regard, at the earliest.

Operating Ratio

15. The Committee observe that for the fiscal year 2014-15, the Railways improved their operating ratio to 91.8% at RE as against the BE target of 92.5%. Similarly, for the fiscal year 2015-16, the Railways have projected an aspirational operating ratio of 88.5%. The Committee find that the overall performance of the Railways is invariably reflected in terms of their operating ratio. The Committee are of the strong view that in order to reduce operating ratio, the Railways need to adopt a long-term strategy by enhancing the efficiency in operation and various maintenance units. The Committee, therefore, recommend that the Railway finances should be monitored and managed prudently by keeping a close

and constant tab on the undesirable/ unproductive expenditure so that the operating ratio may reach an acceptable level in the near future.

Safety

16. In respect of safety issues, the Committee further note that the performance of the Railways is far from reassuring. For instance, there are 18,785 manned and 11,563 unmanned level crossings and nearly 40 percent of all railway accidents occur at these crossings. In 2014-15, the allocation was increased from Rs. 413 crore to Rs. 459.75 crore at RE and it has been substantially reduced to Rs. 305.56 crore for the fiscal year 2015-16. There is also a noticeable gap in the utilization which is only Rs. 353.86 crore. A very disturbing trend of continuous reduction in the outlay on this account has also been witnessed over the last several years which is evident from the fact that in 2011-12, Rs. 800 crore was allocated, whereas for the fiscal year 2015-16, a meager amount of Rs. 305 crore has been earmarked. The Committee also observe that allocations and utilization for building Road Over Bridges and Road Under Bridges have consistently been on a downward trend so much so that BE 2014-15 of Rs. 2287 crore was reduced to Rs 2017.25 crore while utilization was only 1083, i.e. around 50 percent of the outlay (*up to December 2014*). Furthermore, the allocation for the fiscal year 2015-16 has been substantially reduced to Rs. 1340.45 crore. The Committee emphasize that safety being one of the prime concerns of an organization like the Railways, it is their primary duty, as a service provider, to ensure safety of their passengers. It is a poor reflection on the Indian Railways that even after 65 years of Independence, they have not been able to convert the unmanned level crossings to manned ones; the tardy progress towards construction of ROB/RUBs is also a matter of great concern. The Committee, while expressing its displeasure in this regard, strongly recommend that all safety concerns should be expeditiously addressed and a road map be drawn up to ensure that all unmanned level crossings should be converted to manned crossings and wherever required, construction of ROB/RUBs should be undertaken. Safety of passengers and users is the primary responsibility of the Railways; they cannot, and should not, differentiate between those states which are willing to share the cost involved, and those that are not in a position to do so. The Committee would like to be kept informed about the quantifiable progress made in this regard.

Social Service Responsibility

17. The Committee note that the Indian Railways incur losses every year by undertaking a variety of non-remunerative but socially necessary services. These losses are mostly due to low ordinary second class fare, suburban and non-suburban season fare, concessions granted on passenger ticket and transportation of certain commodities below cost. The operation of uneconomic branch lines, too, imposes a heavy burden on the Railway finances. In view of this, a wide gap is created between the income generated through these services and their running costs. Losses incurred on this account are termed as social service obligation. The Committee have been informed that the Railways have to bear social service obligation of around Rs. 25,000 crore every year and they have been meeting this cost of social service obligation through cross-subsidization. In this connection, the Committee wish to remind that most Railway establishments the world over are called upon to meet certain public service obligations at low tariff in the larger social interest for which they are adequately compensated by the Government. The Committee have been informed that in order to compensate the social obligation costs, the Ministry of Railways had approached the Ministry of Finance and consequently a Committee of Secretaries had recommended that these costs be reimbursed to the Railways. However, the matter is still unresolved. The Committee, therefore, recommend the Government to work out a procedure on the basis of which the social service obligation costs are reimbursed to the Railways.

Railways in Financial Crisis

18. The Rakesh Mohan Committee had observed that purely at operating level, Indian Railways is in a terminal debt trap and it, 'under business as usual growth scenario (2-3% per annum growth in NTKM)' would declare a bankruptcy of Rs. 61,000 crore by 2015. However, over the next few years, the same Railways staged a dramatic turnaround and its operating ratio improved to 76% in 2007-08 although it did not bear the impact of the 6th Central Pay Commission.

Unfortunately, the Indian Railways once again is reeling under a severe financial crisis. Its operating ratio has deteriorated to 93.6%, ratio of net revenue to capital to 5.6% and excess surplus of just Rs. 3740 crore in 2013-14. Though these ratios were projected to improve as per RE of 2014-15 but as reported by the Railways, the actual earnings are likely to fall short of the RE by nearly Rs. 2500 crore and thus the projected improvement in operating ratio may not materialize to any significant extent and the actual operating ratio may be in the range of 92.5 to 93.5%, depending upon increase/decrease in provision for depreciation and pension fund. However, even the operating ratio of 93% may also be understated; had the Railways made adequate provisions for depreciation based on actual requirements for replacement of overaged assets, the operating ratio would have been close to 100%. The fact that the Railways are making provision for depreciation on residual basis rather than on the basis of actual requirement for replacing all overaged assets, is also corroborated by the following observations of Shri Bibek Debroy, Member, NITI Ayog Committee:

“...With dividends and appropriation to the pension fund fixed, a “desirable” operating ratio is determined and appropriations to the DRF obtained as a residual. Thus, whenever appropriations to the Pension Fund have increased, as they have after the Sixth Pay Commission, appropriations to DRF have declined and IR has been constrained to fund even rolling stock through market borrowings through IRFC.”

Under provisioning for depreciation is resulting in piling up of throwforward of works concerning renewal of overaged assets of the order of Rs. 41871 crore (as reported by the Railways in their reply). What is more serious is the fact that appropriation for development fund, which is used for taking up traffic facility works for uninterrupted and smooth flow of traffic under various plan heads, has declined from Rs.7800 crore in 2013-14 to Rs.1305 crore in 2014-15 RE. Under-provisioning for depreciation and the inability of the Railways to generate enough cash flows for servicing, and increased borrowings for financing of rolling stock have resulted in a sharp decline in track renewals, procurement of wagons, coaches and electric locos. Simply stated, presently the Railways are not generating enough cash flows for even running as a ‘going concern’ on a continuing basis. In their replies, the Railways have admitted that IR needs to

generate adequate internal resources to cater for four critical requirements, viz. depreciation, development and debt servicing apart from dividend payment to the General Exchequer. Admittedly, Traffic Facility works and other areas could have benefited from higher allocations which was not possible due to these being appropriated from resources left over from the other priorities detailed above. The resource position of the Railways that was drastically eroded due to the impact of the 6th CPC, required higher market borrowings through IRFC primarily to meet its rolling stock requirements. The market borrowing level that was Rs. 4844 crore in 2007-08 has increased to Rs. 17,276 crore in 2015-16.

Under-provisioning for depreciation, sharp fall in procurement quantities of rolling stock (for example, procurement of wagons has gone down from 16894 in 2012-13 to 10,000 in 2014-15, electric locos from 305 to 250, etc.) and not taking up even absolutely critical throughput enhancement operational improvement and traffic facility works for operational improvement and efficiency have adversely impacted system productivity. System productivity which was by and large at a secure uptrend for the last many decades has started falling after 2012-13 onwards. For example, unit input cost per NTKM at a constant prices (the broad measure of systems productivity for freight operations) has gone up from 31.19 paise in 2011-12 to 32.61 paise in 2013-14, i.e. a deterioration of nearly 4 ½% in systems freight operations system productivity. Similarly, unit cost per PKM at constant prices has gone up from 22.82 to 23.21%, i.e. a decline of 1.7% in systems passenger business productivity. Fall in systems business productivity is further corroborated only in individual asset productivity like NTKM per wagon day has come down from 9261 in 2011-12 to 8471 in 2013-14, wagon turnaround time has deteriorated from 5.08 to 5.13, NTKM per route km has gone down from 11.94 to 11.45, NTKM per employee from 0.55 to 0.53, etc.

A similar trend has also been observed in passenger business productivity. Over the last many decades, unit cost of the Railways for freight and passenger business was increasing by and large than the rate of inflation in the economy minus improvement in system productivity. But since for the last two years, system productivity is falling on an annual rate of 1% to 2% its unit cost at current prices both for passenger and freight business has grown in double digits though the rate of inflation in the economy has been far less than this number.

For example, the Railways have admitted that unit cost at current prices per NTKM has gone up around 15% each in 2012-13 and 2013-14. This is one of the sharpest increases in unit cost of freight operation in the recent years. Similarly, passenger unit cost has gone up by nearly 13.4% in 2013-14 over 2012-13 but the Railways unfortunately appears to be totally unaware of this disturbing trend as reflected in their self-contradictory reply.

Despite decline in systems productivity, rise in unit cost and decline in procurement of rolling stock, the Railways have projected a growth rate of over 15% in gross traffic receipts for the year 2015-16. Its operating ratio is expected to improve from 93.6% in 2013-14 to 88.5% in 2015-16. It has also projected a growth rate of nearly 16% in passenger earnings and over 7.5% growth in freight BTKMs. In their reply, the Railways have admitted that these targets appear to be challenging. Achievement of these targets become all the more difficult in the light of the fact that the RE targets for 2014-15 have already been missed by nearly Rs.2500 crore and therefore the required growth rate of over 15% would get enhanced to 16.5% – 17% for 2015-16. These targets can only be achieved either by a sharp increase in passenger and freight rates or by a quantum jump in productivity of existing assets of sweating them harder and faster and by improving the overall operating efficiency.

The Railways improved its financial performance in between by single mindedly focusing on its core operating performance and the same has again deteriorated sharply. The Railways can easily come out of this morass by following the same strategy of improving productivity of the existing assets and the overall operational efficiency. Text book solutions of privatization, downsizing, frequent passenger fare hikes, apart from being politically unpalatable, are not enough to transform the financial health of the Railways. On the other hand, scale driven strategy, of ‘playing on volumes, reducing unit cost, reducing tariffs and gaining market share and margins can once again work wonders for turning around the financial health of the Railways. This strategy is eminently suitable for the Railways as its operating leverage is very high and variable costs are not more than 15%-20%.

This strategy can be successfully implemented by ‘resource leveraging, i.e. by getting more out of same existing assets’ by sweating them harder and faster. Undue emphasis on construction and procurement of new assets has to be replaced with renewed focus on asset maintenance, enhancing productivity and better utilization of assets. Innovation and asset optimization, as opposed to asset accumulation, are central to this strategy. The entire supply side strategy can be summarized in three words ‘faster (faster turnaround of trains), longer (adding additional coaches / wagons) and heavier (higher axle load) trains’. For example, reducing turnaround time of wagons from 6 to 5 days alone can add nearly 20% of incremental freight carrying capacity at zero additional cost. Similarly, demand side strategy is captured in another three words: dynamic (peak and non-peak tariff), differential (tariff for politically sensitive and not so sensitive segments) and market driven (tariff driven by the relative competitive strength of Railways). The focus has to be on value creation, agility, customers’ satisfaction and tech savvy approach.

But this is easier said than done as operating longer, faster and heavier trains has been debated for decades in the Railways. The key obstacles are the Railway’s narrow departmentalism, monopoly mindset and lack of commercial orientation. Indian Railways is a mega system with several sub-systems within systems. These systems are structured around various Departments and are interwoven and interdependent in complex ways. Each technological intervention requires collaboration across Departments, Zones and Divisions, and to expand the capacity of the system there is a need to work on several variables simultaneously to synergize policy initiatives. For example, reducing wagon turnaround time from 6 to 5 days would require coordination among decisions regarding investment, commercial and operating policies as well as train maintenance and examination practices.

This would also require that the available funds are invested strategically to fill the gaps by adopting a systems based approach to improve the utilization of the existing assets. ‘Low cost, short gestation, rapid pay back and high returns investments’ should be given top priority in the allocation of plan funds of over Rs.65,000 crore (excluding tied funds for DFC and national projects). Such investments would include increasing the length of the platforms and goods

terminals, upgrading and strengthening infrastructure at examination and maintenance depots and deploying information technology for strengthening the freight and passenger operating information systems. There should be no restriction (subject to availability of funds) on taking up works ‘for replacement of overaged assets, traffic facility and throughput enhancement’. For augmenting network capacity, throughput enhancement works identified through route-wise planning simulations for elimination of critical bottlenecks on high density networks and congested junctions have to be given top priority. The focus has to be on increasing the overall capacity of critical routes by enhancing throughput per train or augmenting the number of trains on a particular route, or both. Returns from the limited funds can be multiplied manifold by fostering strategic alliances for the purpose with the private sector, particularly the customers.

The Committee would like the Ministry of Railways to look into the recommendations of the Committee especially in the context of the serious financial constraints the Ministry of Railways are facing today. The Committee desire that they should be apprised of the steps taken by the Ministry of Railways in this regard.

**MINUTES OF THE TENTH SITTING OF THE
STANDING COMMITTEE ON RAILWAYS (2014-15)**

The Committee sat on Wednesday, the 1st April, 2015, from 1100 hours to 1440 hours in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

SHRI DINESH TRIVEDI - CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri E. Ahamed
3. Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Chandra Prakash Joshi
6. Shri Sanjay Dhotre
7. Shri Gaurav Gogoi
8. Shri Gajanan Kirtikar
9. Shri Balabhadra Majhi
10. Shri Arjun Ram Meghwal
11. Shri A.T. Nana Patil
12. Shri R. Radhakrishnan
13. Shri Mekapati Raja Mohan Reddy
14. Shri Lakhan Lal Sahu
15. Shri Ganesh Singh
16. Shri Uday Pratap Singh
17. Shri S.R. Vijayakumar

RAJYA SABHA

18. Shri A.K. Antony
19. Shri Mukut Mithi
20. Shri Dilipbhai Pandya
21. Shri Ambeth Rajan
22. Shri Bashistha Narain Singh
23. Shri Devender Goud T.
24. Shri Alok Tiwari
25. Shri Motilal Vora

SECRETARIAT

1. Shri K. Vijayakrishnan - Additional Secretary
2. Smt. Anita Jain - Joint Secretary
3. Shri Raju Srivastava - Additional Director

Representatives of the Ministry of Railways (Railway Board)

1. Shri A.K. Mital Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India
2. Mrs. Rajalakshmi Ravi Kumar Financial Commissioner, Railways & Ex-officio Secretary to the Government of India
3. Shri V. K. Gupta Member-Engineering, Railway Board & Ex-officio Secretary to the Government of India
4. Shri Pradeep Kumar Member-Staff, Railway Board & Ex-officio Secretary to the Government of India
5. Shri D. P. Pande Member-Traffic, Railway Board & Ex-officio Secretary to the Government of India
6. Shri Navin Tandon Member-Electrical, Railway Board & Ex-officio Secretary to the Government of India

2. At the outset, the Chairman welcomed the Chairman, Railway Board and other officials of the Ministry of Railways (Railway Board) accompanying him to the sitting of the Committee.

3. The Members of the Committee pointed out that the Hindi materials had not been furnished to them in time for their examination. The Chairperson directed the officials of the Railway Board to ensure that in future the Hindi materials be supplied well in time. Thereafter, the Committee took oral evidence of the representatives of

the Ministry of Railways (Railway Board) on various issues related to the 'Demands for Grants – 2015-16 of the Ministry of Railways'.

4. The Members sought clarifications relating to the 'Demands for Grants – 2015-16 of the Ministry of Railways'. The representatives of the Ministry replied to the queries of the Members.

5. The evidence remained inconclusive.

The Committee then adjourned.

**MINUTES OF THE ELEVENTH SITTING OF THE STANDING
COMMITTEE ON RAILWAYS (2014-15)**

The Committee sat on Friday, the 10th April, 2015, from 1500 hours to 1630 hours in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

SHRI DINESH TRIVEDI - CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri E. Ahamed
3. Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Sanjay Dhotre
6. Shri Ramesh Chander Kaushik
7. Shri Balabhadra Majhi
8. Shri Arjun Ram Meghwal
9. Shri A.T. Nana Patil
10. Shri Mekapati Raja Mohan Reddy

RAJYA SABHA

11. Shri Dilipbhai Pandya
12. Shri Bashistha Narain Singh
13. Shri Motilal Vora

SECRETARIAT

- | | | | |
|----|-----------------------|---|----------------------|
| 1. | Shri K. Vijaykrishnan | - | Additional Secretary |
| 2. | Shri Raju Srivastava | - | Additional Director |

Representatives of the Ministry of Railways (Railway Board)

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|----|-----------------------------|---|
| 1. | Mrs. Rajalakshmi Ravi Kumar | Financial Commissioner, Railways & Ex-officio Secretary to the Government of India |
| 2. | Shri V. K. Gupta | Member-Engineering, Railway Board & Ex-officio Secretary to the Government of India |
| 3. | Shri Pradeep Kumar | Member-Staff, Railway Board & Ex-officio Secretary to the Government of India |
| 4. | Shri Navin Tandon | Member-Electrical, Railway Board & Ex-officio Secretary to the Government of India |
| 5. | Shri Ajay Shukla (L/A) | Member-Traffic, Railway Board & Ex-officio Secretary to the Government of India |

2. At the outset, the Chairperson welcomed the officials of the Ministry of Railways (Railway Board) to the sitting of the Committee.

3. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Railways (Railway Board) on various issues related to the 'Demands for Grants – 2015-16 of the Ministry of Railways'.

4. The members sought clarifications relating to the 'Demands for Grants – 2015-16 of the Ministry of Railways'. The representatives of the Ministry replied to the queries of the Members.

5. The evidence concluded.

The Committee then adjourned.

**MINUTES OF THE TWELFTH SITTING OF THE STANDING
COMMITTEE ON RAILWAYS (2014-15)**

The Committee sat on Thursday, the 16th April, 2015, from 1500 hours to 1700 hours in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

SHRI DINESH TRIVEDI - CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri E. Ahamed
3. Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Sanjay Dhotre
6. Shri Ramesh Chander Kaushik
7. Shri Balabhadra Majhi
8. Shri K.H. Muniyappa

RAJYA SABHA

9. Shri A.K. Antony
10. Shri Mukut Mithi
11. Shri Dilipbhai Pandya
12. Shri Parimal Nathwani
13. Shri Ambeth Rajan
14. Shri Bashistha Narain Singh
15. Shri Alok Tiwari

SECRETARIAT

1. Shri K Vijayakrishnan - Additional Secretary
2. Smt. Anita Jain - Joint Secretary
3. Shri Raju Srivastava - Additional Director

Representatives of the Ministry of Railways (Railway Board)

- | | | |
|----|------------------------|---|
| 1. | Shri A.K. Mital | Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India |
| 2. | Shri V. K. Gupta | Member-Engineering, Railway Board & Ex-officio Secretary to the Government of India |
| 3. | Shri Pradeep Kumar | Member-Staff, Railway Board & Ex-officio Secretary to the Government of India |
| 4. | Shri Hemant Kumar | Member-Mechanical, Railway Board & Ex-officio Secretary to the Government of India |
| 5. | Shri Ajay Shukla (L/A) | Member-Traffic, Railway Board & Ex-officio Secretary to the Government of India |

2. XXXXXXX XXXXXXX XXXXXXXXX*
3. XXXXXXX XXXXXXX XXXXXXXXX

4. Thereafter, the Committee took up for consideration the draft Report on ‘Demands for Grants (2015-16) of the Ministry of Railways’ and adopted the same with some minor modifications.

5. The Committee also authorized the Chairman to finalise the Report and present the same to Parliament.

6. XXXXXX XXXXXX XXXXXXXX

The Committee then adjourned.

* Not related to the Report